



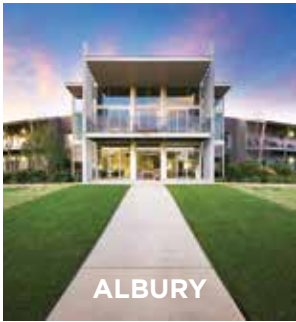


Srijana, Abbey and Rosalina.
Our carers play a critical part in the Estia homes, supporting our residents with day-to-day activities.

CONTENTS

OUR HOMES	4
CHAIRMAN’S MESSAGE	8
CEO’S MESSAGE	10
KEY HIGHLIGHTS	14
BOARD OF DIRECTORS	18
EXECUTIVE TEAM	23
COMMITMENT TO ESG	26
CORPORATE GOVERNANCE	30
FOCUS ON OUR RESIDENTS: STUART’S STORY	32
SHAREHOLDER INFORMATION	34
ANNUAL FINANCIAL REPORT	38

OUR HOMES IN NEW SOUTH WALES



ALBURY



BANKSTOWN



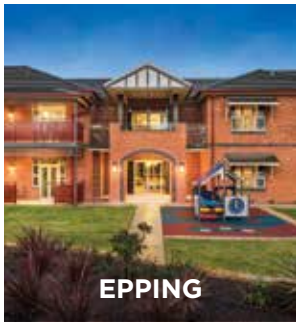
BEXLEY



CAMDEN



DALMENY



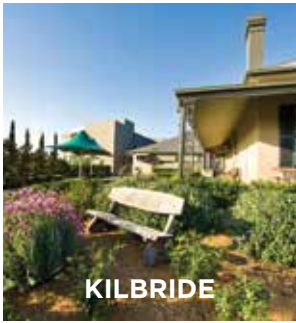
EPPING



FIGTREE



FORSTER



KILBRIDE



KOGARAH



MANLY VALE



MERRYLANDS



MONA VALE



RYDE



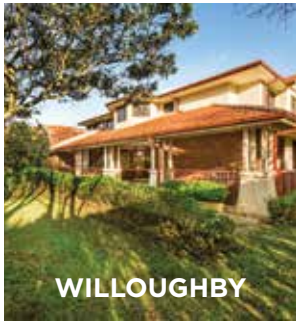
TAREE



TEA GARDENS



TUNCURRY



WILLOUGHBY

OUR HOMES IN SOUTH AUSTRALIA



ABERFOYLE PARK



ALDGATE



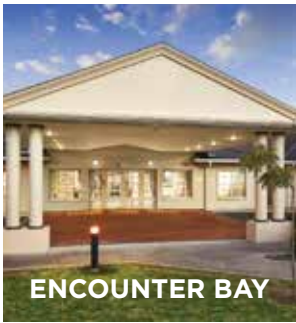
BURTON



CRAIGMORE



DAW PARK



ENCOUNTER BAY



FLAGSTAFF HILL



GOLDEN GROVE



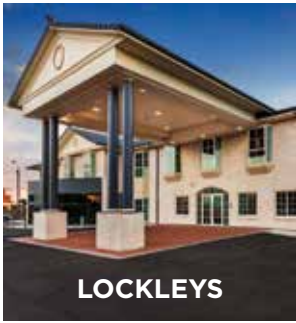
HOPE VALLEY



KADINA



KENSINGTON GARDENS



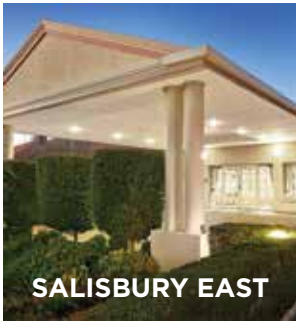
LOCKLEYS



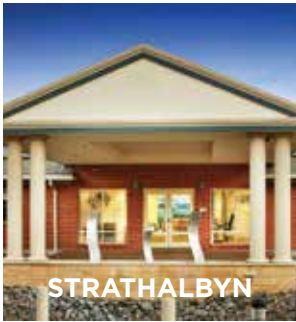
PARKSIDE



SALISBURY



SALISBURY EAST



STRATHALBYN

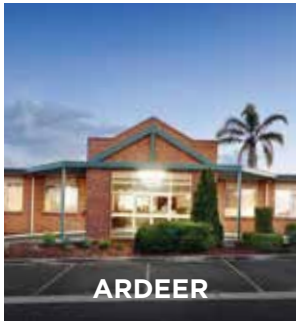
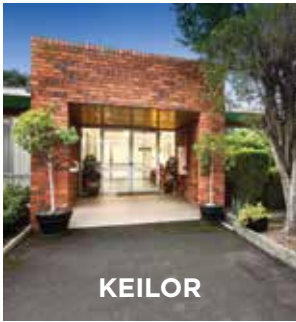
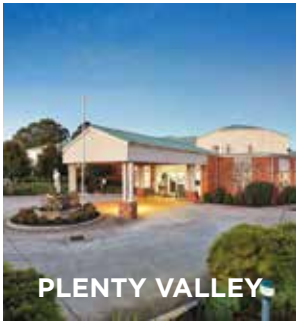


TOORAK GARDENS

For details see the [directory listing on pages 122-123](#) or visit [estiahealth.com.au](#)

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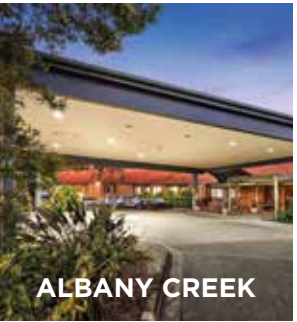
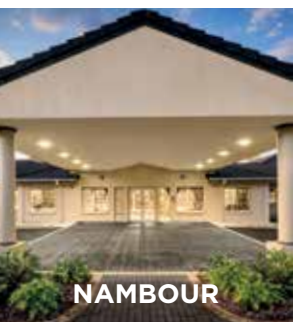
OUR HOMES IN VICTORIA



CONTINUED OUR HOMES IN VICTORIA



OUR HOMES IN QUEENSLAND



For details see the [directory listing on pages 122-123](#) or visit [estiahealth.com.au](#)

For details see the [directory listing on pages 122-123](#) or visit [estiahealth.com.au](#)

CHAIRMAN'S MESSAGE



Reflecting on Estia Health's FY18 result it is clear the Company has stabilised and the focus has shifted to optimising performance.

We delivered on guidance of a mid-single digit percentage increase in EBITDA, which rose 4.1% to \$90.1 million.

The result is a credit to everyone at Estia, but particularly to our CEO Norah Barlow and COO and Deputy CEO Ian Thorley who led the implementation of a range of operational improvements that were critical to stabilising the Company and lifting performance.

These changes have put Estia in an excellent position for the future – both from a financial and operational standpoint – as we look to capitalise on growth opportunities that align with our strategy as the demand for aged care continues to grow.

We have the right people in place across the Company to ensure we remain well placed for future growth.

Operating and Regulatory Environment

The aged care sector has been at the centre of ongoing reviews and inquiries and the September 2018 announcement of a Royal Commission sharply draws into focus the need to prioritise the aged care sector in Australia.

Prior to this the Government signalled significant change in the compliance environment in 2018, with the announcement of a new single Aged Care Quality and Safety Commission to start in January 2019 and the new Aged Care Quality Standards to be in effect later in the same year. Estia fully supports this

reform as it is primarily about improving transparency for consumers and raising the quality benchmarks for providers.

There is no greater priority for Estia than striving for the highest quality care standards, safety and wellbeing for our residents and staff across all of our homes.

We strongly support the call for greater transparency and the provision of detailed, audited and publicly available financial statements for all providers of aged care services who receive fees for service from Government.

We also endorse the recommendations for changes made by the Ernst & Young report¹ on Refundable Accommodation Deposits (RADs) and prudential reporting. The improvement of the existing capital funding regime, particularly by the adoption of stronger capital and liquidity ratios, and the introduction of improved disclosure standards to provide better transparency on corporate structures and inter-party transactions will enhance the protection of the financial position of residents, Government and fellow providers in relation to RADs, and contribute to the wider stability and financial sustainability of the aged care sector.

Growth Opportunities

Estia's focus on improving and expanding its existing portfolio has ensured the Company is on a solid and sustainable path for future growth and value creation for shareholders.

Our strategy is based on the following:

Enhancing services and operations of all homes and enhancing our existing portfolio

We continued our capital spending program in FY18 to drive future earnings from increased bed capacity and portfolio enhancement. This included \$13.9 million in significant refurbishments, with five homes completed during the year. Another \$30.0 - \$35.0 million has been committed towards completing significant refurbishment projects in FY19 across 13 homes, with a \$15.0 million maintenance and enhancement capital program established to maintain and improve the quality and marketability of our homes. We continue to look at the evolution and expansion of the services we offer in our homes to meet modern expectations as we strive to be the provider of choice in the communities in which we operate.

Expanding our portfolio

Our Twin Waters and Kogarah homes are excellent examples of expansion of our portfolio through greenfield developments. The homes were constructed over 18 months and were delivered on time and within budget and operationally have exceeded our expectations.

Twin Waters and Kogarah were part of our significant capital investment program of \$60.3 million in FY18 to increase bed capacity and enhance facilities. We have committed a further \$65.0 - \$80.0 million on three greenfield sites for FY19.

Succession Planning

In July 2018 I announced that Ian Thorley would succeed Norah Barlow as our CEO, following Norah's decision to return to New Zealand after successfully leading the Company through a period of significant change and onto a path of sustainable growth.

Succession planning has been a core focus for the Board and this has laid the foundation for a seamless transition among the company's most senior executives.

We are fortunate to have Ian as our incoming CEO, having been there alongside Norah in his capacity as COO and Deputy CEO. Ian will be supported by a very strong and capable Executive team that has been formed over the past 18 months.

Norah is a veteran of the aged care sector and we were very fortunate to have her lead the company and, in many ways, transform it. We are delighted that Norah has agreed to remain on the Board as a Non-executive Director going forward.

The Future

Estia supports the ongoing reforms to the sector including the most recent announcement by the Government for a Royal Commission into the sector. We welcome the scrutiny of the sector and any measures that would help not only ensure the safety and high quality care of residents but also provide a sustainable sector for all those involved in the provision of aged care services.

The number of Australians aged over 80 is expected to more than double in the next 20 years. We expect home care will continue to grow, which we support. While we believe people should be enabled to stay at home for as long as possible, residential aged care will continue to play a critical and integrated role within the healthcare sector.

Estia is one of Australia's largest private aged care providers and has the capability in terms of people, services, and financial resources to deliver high quality aged care services and to play an important and ongoing role as part of a stable and sustainable aged care industry.

I would like to thank our 7,000 plus Estia team for their ongoing commitment, compassion and professionalism in ensuring our residents receive the highest quality care, and also our shareholders for their ongoing support.

Yours sincerely,

Dr Gary Weiss

Chairman

¹ https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/08_2017/review-legislation-refundable-accommodation-payments-in-residential-aged-care.pdf

CEO'S MESSAGE



I am pleased to hand down my third and final report as Estia Health's CEO. The Company is now stable and we have a strong foundation for future growth and a clear strategy in place to deliver it.

The positive impact of Estia's stabilisation strategy was reflected in our FY18 result, with improvements recorded across a number of key metrics and earnings increasing in line with our guidance.

We continued to invest in expanding and improving our portfolio of homes, opening two new homes during the year, and to invest in training and supporting our staff who are central to our success.

The calibre of our Executive team and our Board is exceptional and the commitment and dedication of our more than 7,000 staff is second to none.

We now have a leadership team that understands both the opportunities and challenges of the aged care sector and the Company's business model extremely well – a combination that will continue to drive and deliver positive outcomes for our residents, their families, our staff and shareholders.

There is certainly a more active regulatory environment going forward. The Government's announcement of a Royal Commission into the aged care sector is something we support as it brings to light the need to prioritise the sector to create a sustainable future for ageing Australians. We are engaged in this process and remain well placed to respond.

FY18 Highlights

Our FY18 result reflected the positive impact of our stabilisation strategy which followed the strategic review of the Company nearly two years ago.

We achieved EBITDA¹ of \$90.1 million, a 4.1% increase on FY17 and in line with our guidance. A key driver of this was a 4.3% increase in operating revenue to \$547.1 million.

We worked hard to optimise occupancy, with our strong local community engagement program and ongoing investment in improving and enhancing our existing homes helping achieve an average rate of 94.2%, in the face of an unprecedented influenza season.

We reported solid RAD inflows of \$62.8 million, of which \$13.0 million came from our new 114-bed Twin Waters home and 72-bed Kogarah home, and we expect inflows to continue into FY19 as these two homes reach full capacity and full RAD penetration.

Opening these homes was a significant milestone for Estia and our pipeline for new developments remains strong.

Our balance sheet also remains strong and well capitalised. We reduced net bank debt² to \$63.8 million during the year and reduced our gearing³ to 0.7 x EBITDA.

Further, we have \$330.0 million in bank facilities which gives us the flexibility to make future investments, as well as providing a buffer against any potential changes to liquidity or capital ratio requirements or adverse changes to resident payment preferences.

As we continue to strengthen the Company, it is pleasing to be able to thank shareholders for their support. This year we declared a final dividend for FY18 of 8.0 cents per share, fully franked.

This payment brings the full-year dividend for FY18 to 15.8 cents per share, representing 100% of NPAT and exceeding our target of paying out no less than 70% of NPAT.

Commitment to Quality

Delivering quality care has never been more important, with more people coming into aged care at a later stage in life and with more acute care needs. At Estia we remain committed to delivering the highest quality care to people at an important time in their lives.

Systems and Processes

During the year we strengthened our clinical systems and processes, and clinical governance regime.

We have uniform clinical standards in every home, our quality and education functions are independent of our operations, we have clinical indicator benchmarking which helps us identify potential risks, and group-wide clinical standards and compliance.

We also have a centralised system which tracks and monitors feedback, complaints, and resolutions and ensures that all learnings are integrated into processes. Complaints management is a critical part of our service improvement and ensures that we have a truly resident-orientated Company.

We are continually reviewing the processes we have in place to support a transparent culture within our homes for our staff, residents and families. Our 'See Something, Say Something' initiative, is an independently run, confidential hotline, which was initially available to our staff to confidentially report issues and concerns,

which can now be accessed by residents or their families. Matters referred to the hotline are managed by Estia's General Counsel and disclosure outcomes are reviewed by the CEO and Chair of the Risk and Audit Committee.

Governance Framework

Our governance regime ensures our clinical audit and risk functions operate independently from operations and report directly to the CEO. For example, clinical risk is monitored by our Board's Risk Management Committee, and we have a Clinical Standards Committee which is chaired by our Chief Nursing Officer and reports directly to the CEO.

Our clinical indicators are also subject to monthly reviews by our senior operational managers and the data is used to review our clinical protocols, develop clinical education programs, and support continuous improvement of resident care.

People and Culture

Estia is a people business. We have more than 7,000 staff caring for more than 8,000 residents annually, so having an engaged workforce which feels supported in their day-to-day role, is critical to the delivery of high quality care.

Our success as a Company is down to this strong team that works tirelessly and with such compassion to provide quality care for all our residents. The work that our staff do every day is challenging, with people entering aged care when they really can no longer care for themselves, or be cared for at home, with increasingly complex care needs.

During the year we commissioned an independent research company to measure our workplace culture and the results were very encouraging. More than 50% of staff participated in the survey and they rated our overall staff culture as one of 'success'. This was a very strong result, one of the highest the independent company had seen for a company in its early days.

The survey results have assisted Estia design leadership development programs and address system, policy, and cultural issues. The benefits of this are already

¹ Earnings Before Interest and Tax, Depreciation, Amortisation and gains on the sale of non-current assets.

² Bank borrowings and overdrafts less cash balances.

³ Net bank debt divided by EBITDA.



Doreen, Resident.
Former charity worker,
likes gardening.

CEO'S MESSAGE CONTINUED

taking effect with staff retention improving over the last 12 months with turnover falling to 20% per annum from 30%.

In FY18 we invested in further developing the skills of staff across the business, with clinical training activities focusing on our registered nurses, new entry graduate registered nurses, and our clinical leads.

We introduced an executive development program for our home managers, focusing on leadership and commercial skills, and introduced a 12-month emerging leaders' program that identifies and supports talent, and ensures we have an ongoing pool of leaders who are 'management ready' to support Estia's growth.

Mandated staffing ratios in aged care continue to be a focus of commentary in the sector. We recognise that clinical skills play a critical role in the delivery of quality care. We have a clinically-led model of care with Registered Nurses (RN's) rostered in every home 24 hours a day, seven days a week. Our RN's direct our care staff to ensure the right level of care is delivered to cater to our residents and their complex and varying needs.

We have a strong focus on our staffing model and continually work to ensure that each home is best served to meet the needs of the resident based on their acuity, or their specialist needs, but also based on the size and design of our homes, which plays a part in ensuring we have the right coverage of care at all times.

Outlook

In the past 18 months we have moved from stabilising the Company to optimising its financial and operating performance, and ensuring we are in a position to capture the tremendous growth opportunities that exist.

Our population is ageing and we are living longer which is giving rise to significant demand for aged care in the future and those needed to provide that care, with an estimated additional 180,000 carers and 85,000 nurses required to fill this demand by 2025⁴.

We are confident about the growth strategy we have in place to capture the opportunities and the ability of our leadership team to deliver this in a rapidly evolving and changing sector.

We expect to deliver mid-single digit percentage growth in EBITDA on our existing portfolio of homes in FY19, subject to no material changes in market or regulatory conditions.

As you know, the Board announced Ian Thorley, our COO and Deputy CEO, will succeed me when I step down in November.

Estia will be in excellent hands with Ian at the helm as we continue to focus on optimising the performance of the Company over the next 12 months, driving occupancy, and executing our expansion and refurbishment plans for existing homes, which will be a major source of future earnings growth.

I would like to take this opportunity to thank everyone from our Executive and leadership team, our Board, our staff, and our shareholders for their support.

Sincerely,

Norah Barlow
Chief Executive
Officer

⁴ *Practical Innovation - Closing the social infrastructure gap in health and ageing*, Pwc report, February 2018.

KEY HIGHLIGHTS

94.2%

**AVERAGE
OCCUPANCY**

On mature homes,
excluding Twin Waters

\$547.1

**OPERATING
REVENUE**

Up 4.3% on FY17

\$90.1m

EBITDA¹

Up 4.1% on FY17

\$103.0m

**OPERATIONAL
CASHFLOW²**

114% Cash/EBITDA
conversion

\$62.8m

**FY18 NET RAD
INFLOWS**

\$63.8m

NET BANK DEBT³

\$41.2m

NPAT

Up 1.1% on FY17

15.8¢

**EARNINGS PER
SHARE**

Decrease of 13.2%
on FY17 due to dilution
impact of FY17
capital raise

8.0¢

**FULLY FRANKED
FINAL DIVIDEND
PER SHARE**

(15.8 cps total dividend,
100% of NPAT)

¹ EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and gains on sale of non-current assets.

² Operational cash flow before interest, income tax and RADs.

³ Net Bank Debt is defined as bank borrowings and overdrafts less cash balances.





TWIN WATERS (QLD)



SUNSHINE COVE (QLD)



BLAKEHURST (NSW)



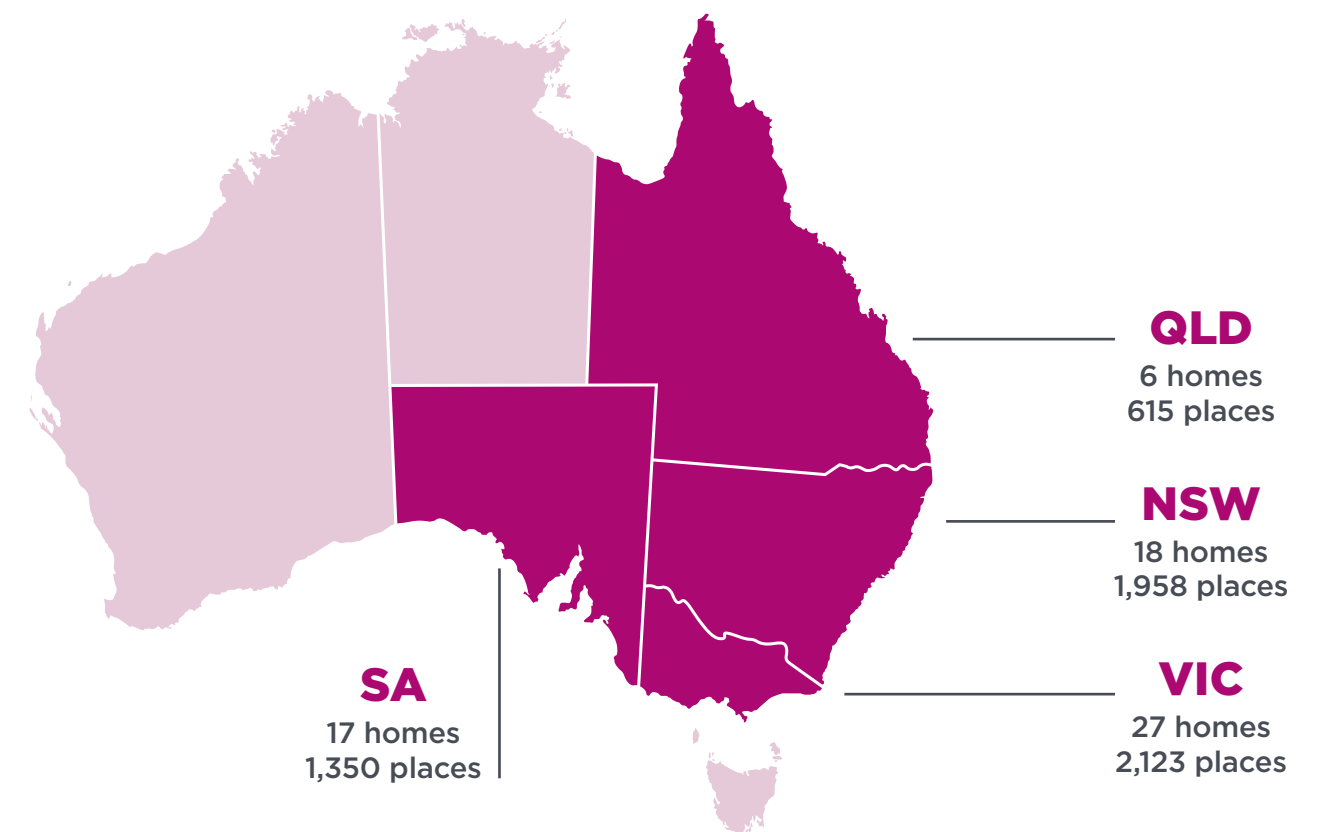
SOUTHPORT (QLD)



KOGARAH (NSW)

KEY PORTFOLIO STATISTICS

One of Australia's largest aged care providers



68 operational homes,
6,046 places



Care delivered to over
8,000 older Australians
annually



Employing over
7,000 staff

Expanding and Improving Our Portfolio

Opened

Twin Waters (QLD) opened September 2017, Kogarah (NSW) opened March 2018

In development

Blakehurst (NSW), Southport (QLD) and Sunshine Cove (QLD)

In detailed planning stages

St Ives (NSW) and Wollongong (NSW)

Completed the significant refurbishment of five homes during the period, with an additional 13 underway

\$4.4m sustainability capital investment program completed

BOARD OF DIRECTORS



Dr Gary Weiss

Non-executive Director and Chairman
LL.B (Hons). LL.M (with Dist), JSD

Gary holds the degrees of LL.B (Hons) and LL.M (with dist.) from Victoria University of Wellington, as well as a Doctor of Juridical Science (JSD) from Cornell University, New York.

Gary has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions.

Gary is Chairman of Ridley Corporation Ltd and Ardent Leisure Group Ltd, Executive Director of Ariadne Australia Ltd, and a director of several public companies including Thorney Opportunities Limited and The Straits Trading Company Ltd. Gary is also a Commissioner of the Australian Rugby League Commission and a Director of the Victor Chang Cardiac Research Institute.

Gary was Chairman of Clearview Wealth Ltd from 2013 to May 2016, Executive Director of Guinness Peat Group plc from 1990 to April 2011 and has held directorships of numerous companies, including Coats Group plc (Chairman), Premier Investments Ltd, Westfield Group, Tower Australia Ltd, Australian Wealth Management Limited, Tyndall Australia Ltd (Deputy Chairman), Joe White Maltings Ltd (Chairman), CIC Ltd, Whitlam Turnbull & Co Ltd and Industrial Equity Ltd.

Gary has authored numerous articles on a variety of legal and commercial topics.



Norah Barlow

Chief Executive Officer and Managing Director
BCA; ACA; ONZM

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

Norah is amongst Australasia's most experienced and respected executives and directors, with an in-depth knowledge of the aged and health care sector. Norah also holds extensive experience as the highly-respected former CEO and former Director of Summerset Group, a NZX and ASX-listed company named Australasia's best retirement village operator four years running.

Norah has a strong background across business leadership and management, strategy, corporate finance, governance, tax and accounting. Norah is a member of the National Advisory Council on the Employment of Women, was President of the Retirement Villages Association (NZ) for seven years and made an Officer of the New Zealand Order of Merit for services to business in 2014.

Norah will be stepping down as the CEO in November, Ian Thorley will be the incoming CEO.



Andrew Harrison

Non-executive Director
BEc; MBA; CA

Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from the Wharton School at the University of Pennsylvania, and is a Chartered Accountant.

Andrew is an experienced company director and corporate adviser. He is currently a Chairman of Bapcor Limited, Wisetech Global Limited, IVE Group Limited and Xenith IP Limited. Andrew has previously held executive and non-executive directorships with public, private and private equity owned companies, including as CFO of Seven Group Holdings, Group Finance Director of Landis + Gyr. and CFO and Director of Alesco.

Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Limited, and an Associate at Chase Manhattan Bank (New York).

BOARD OF DIRECTORS CONTINUED



Paul Foster
Non-executive Director
B.Comm; MA; MAICD

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

Paul is an experienced financial services professional and company director, with more than 20 years of investment experience in the infrastructure, private equity and real estate asset classes, including substantial investments in the healthcare sector.

Paul is Managing Director at Pacific Equity Partners, one of Australia's largest alternative investment management firms.

Until May 2015, he was head of AMP Capital's Infrastructure investment business in Australia and New Zealand, where he was responsible for the management of \$4.5 billion of infrastructure investments on behalf of Australian and global superannuation funds and investors.

In this role, and amongst investments spanning the aged care, transport, timberland and social infrastructure sectors, Paul was responsible for the investment that created the second largest for profit aged care business in Australia. Paul was a Director of the Opal Aged Care Group (formerly Domain Principal Group) between 2010 and 2015 and was Chairman of the Group in 2011. Prior to AMP Capital, Paul was an investment professional at Macquarie Bank and Perpetual Investments.



Helen Kurincic
Non-executive Director
MBA, Grad Dip Wom Stud, PBC Crit Care, Cert Nsg, FAICD

Helen holds a Master of Business Administration from Victoria University.

Helen has extensive executive and non-executive experience across the healthcare sector. Helen is Chairman of Integral Diagnostics Ltd, and a non-executive Director of HBF Health Ltd and McMillan Shakespeare Limited. Helen was previously the Chief Operating Officer and Director of Genesis Care for 7 years from early inception in 2007, creating Australia's largest radiation oncology and cardiology service business. Previous roles also include non-executive Director of DCA Group Ltd which included residential aged care in Australia and New Zealand; non-executive Director of AMP Capital Investor's aged care business Domain Principal Group, CEO and Executive Director of residential aged care provider Benetas and Board member of Melbourne Health and Orygen Research Centre.

Helen has also been actively involved in healthcare government policy reform across various areas of the healthcare sector.



The Honourable Warwick L. Smith
Non-executive Director
AM LLB

Warwick is currently Chairman, Australia China Council and a Board Director of ANZ Bank China and Chairman, ANZ Bank Thailand and formerly Chairman, New South Wales and Australian Capital Territory and Senior Managing Director of ANZ Bank where he was a member of the Institutional Leadership team. He is Chairman of the Advisory Board of Australian Capital Equity, holders of interests in Seven Group Holdings, West Australian News, Coates Hire, WesTrac and Caterpillar industrial services and equipment in Western Australia and New South Wales; Global Trustee of the Asia Society and Chairman Emeritus of the Asia Society in Australia and Chairman of the Flagship Property Group. He is currently Special Envoy, Trade & Investment – New South Wales (NSW) Government, Department of Premier & Cabinet.

Warwick is also Board Director of Seven Group Holdings and Coates Hire Ltd.

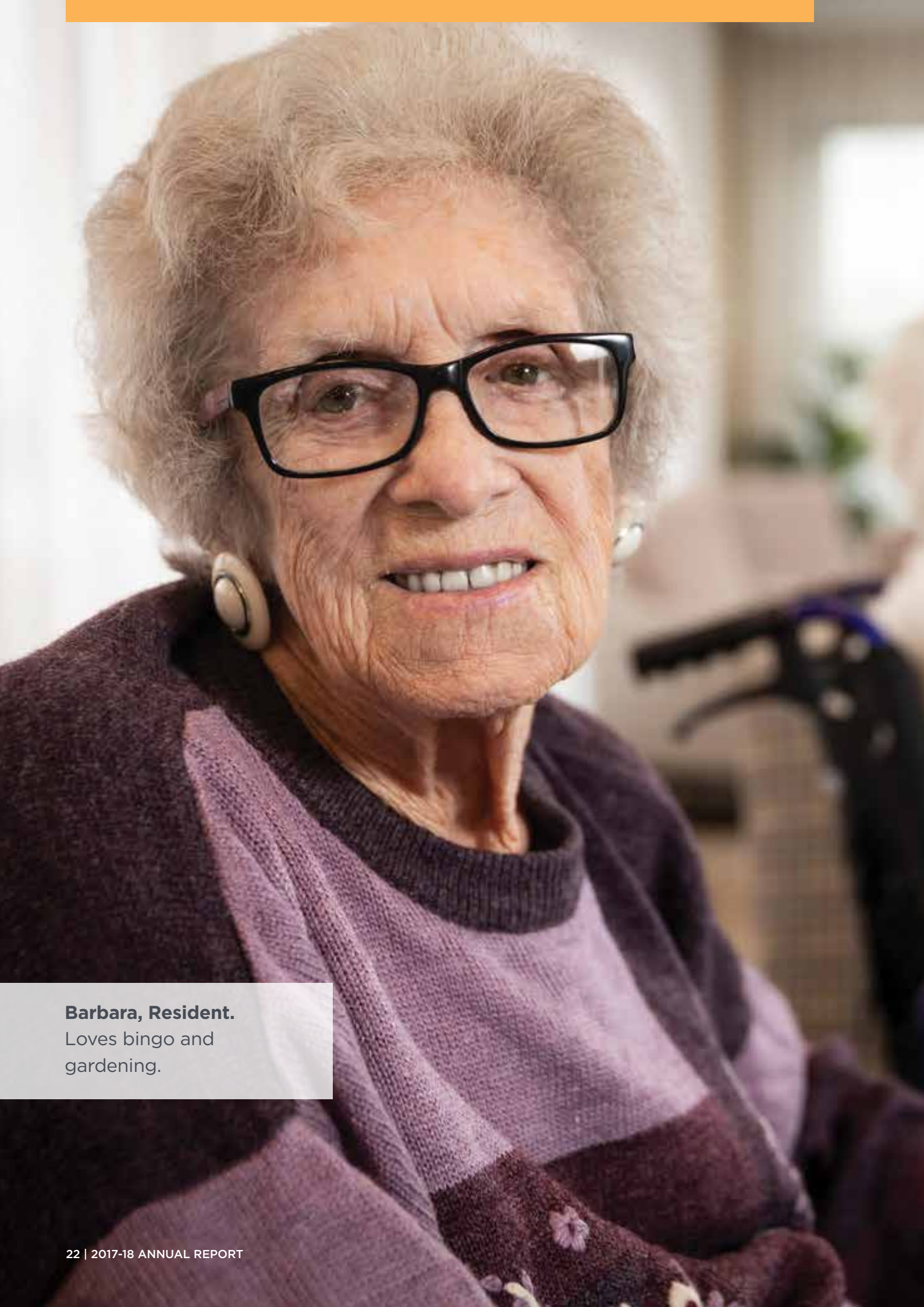
Formerly, he was Chairman of E*TRADE, the Australian Sports Commission and an Executive Director with Macquarie Bank; and a Federal Government Minister with a parliamentary career spanning 15 years with portfolios including the Minister for Sport, Territories and Local Government, Minister Assisting the Prime Minister on the Olympic Games in Sydney and Minister for Family Services and Aged Care. He was also Australia's first Telecommunications Ombudsman and has received a Centenary Medal and an Order of Australia.



Leanne Ralph
Company Secretary

Leanne is an experienced Company Secretary with over 15 years in this field, and holds this position for a number of ASX-listed entities. She was the founder of Boardworx Australia Pty Ltd, a business specialising in the provision of outsourced Company Secretarial services.

Leanne is a Fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Directors.



Barbara, Resident.
Loves bingo and gardening.

EXECUTIVE TEAM



Ian Thorley
**Chief Operating Officer
and Deputy Chief Executive Officer**

Ian is an accomplished senior leader with over 30 years' health and aged care experience in both Australia and overseas.

Appointed as Chief Operating Officer in October 2016, Ian is responsible for leading Estia's operations and care teams to grow revenue and deliver operational efficiencies, whilst ensuring excellence in care and services.



Steve Lemlin
Chief Financial Officer

Steve holds 30 years of experience in senior financial and operational leadership roles across a range of professional services businesses in Europe and Australasia. Joining Estia in February 2017 as Chief Financial Officer, Steve leads the Finance team in the production of accurate, timely and powerful management information to accelerate business improvement and value.



Mary Burke
Chief Quality and Risk Officer

Working in the aged care industry for over 18 years, Mary has held key management roles across both profit and not for profit organisations. Appointed as Estia's Quality and Risk Director in December 2016, Mary leads Estia's Quality Managers and Clinical Educators team to deliver the Group's review and auditing program with continuous improvement focus, the Quality Management System, clinical education and development program and supports the implementation of initiatives across the Group.

EXECUTIVE TEAM CONTINUED



Maryann Curry
Chief Nursing Officer

With over 20 years' senior management experience in both the health and aged care sectors in Australia, Maryann is a nationally recognised leader in clinical service delivery.

Appointed to her role as Chief Nursing Officer in December 2016. Maryann provides high level expert advice, leadership and guidance on clinical policy, care and clinical engagement for the Group.



Adjunct Professor Mark Brandon OAM
Chief Policy and Regulatory Officer

With 40 years' experience in the health and aged care sectors, Mark is an internationally recognised thought leader on strategy, quality, accreditation and government relations.

He is a member of the panels of experts for the International Society for Quality in Healthcare and the International Federation on Ageing. His experience also includes Vice Chair of the International Accreditation Council and advisor to governments.



Jane Murray
Chief People Officer

A passionate, values-based leader, Jane brings over 15 years' experience in commercial business leadership and HR strategy from ASX listed companies.

Appointed to the role of Chief People Officer in July 2017, Jane leads the delivery of Estia's HR and Safety capability.



Fiona Caldwell
Chief Information Officer

With over 25 years' experience in various IT strategic and operational leadership capacities, Fiona brings to Estia a wealth of practised knowledge and a sound background in managing IT solutions and projects.

Appointed to the role of Chief Information Officer in October 2017, Fiona leads Estia's IT team in the delivery of modern and innovative technologies and services, and seeks to advance the level of assistance and amenities available at Estia.



Damian Hiser
Chief Customer Officer

Damian is a senior healthcare executive, with nearly 30 years' experience in the private health care sector in Australia and the Middle East, and the last 7 years in aged care in Australia.

Appointed to the role of Chief Customer Officer in October 2017, Damian is responsible for improving the experience for residents and their families as they navigate the difficult and emotional journey into aged care, to help make the transition as easy as possible.



Rita Sheridan
**General Manager
Development and Property**

Rita's professional experience spans across key areas of capital development and operational services in the aged care and accommodation sector, residential land and dwelling construction and commercial interior design and construct services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STATEMENT (ESG)

Estia's commitment and aspirations for ESG

At Estia Health, our core focus is providing our residents high-quality, inclusive care. This is formally recognised in our Family Code, but also permeates through the rest of our Company in a range of initiatives across our operations and corporate governance.

Creating a culture of commitment to good practice on Environmental, Social and Governance (ESG) issues is now widely recognised not as a nice to have, but a vital way to ensure organisations are effectively managing and mitigating potential risks. Demonstrating leadership on ESG is also increasingly important to our stakeholders – from our residents and their families, our staff, local communities and our investors, who expect transparency around where we are doing well as a Company, and what we are working on to improve.

Our work on ESG issues in previous years has been considerable, but has been dispersed across the Company and has not been consistently captured in our reporting. Looking forward to FY19, we will work to develop our performance, measurement and communication in ESG initiatives, including:

- Preparing an ESG policy to formalise Estia's ESG commitment
- Establishing a thorough ESG strategy that addresses Estia's material social and environmental impacts
- Engaging all our stakeholders to better understand their ESG priorities
- Committing to a long-term action plan to improve performance across all material areas
- Review peer ESG activity and the regulatory environment both now and on the horizon
- Implementing improved reporting procedures to capture the impacts of existing and planned ESG activities
- Strengthening the internal governance processes for ESG issues



Environmental Snapshot

- Reduction of 6,109 tonnes of CO₂ in FY18
- Solar panels and lighting upgrades at 29 sites
- Solar hot water systems installed at 14 sites
- Smart metering program introduced for Estia homes
- Company wide waste audit completed
- 4,733 tonnes of waste diverted from landfill in FY18
- Sustainable procurement initiatives implemented, including a reduction in cleaning chemicals



Social Snapshot

- Estia's inaugural Company-wide Culture Survey yielded a top quartile result, categorised as a "Culture of Success"
- On an individual question level, above-average ratings were achieved for 87 out of the 94 questions
- 72% of employees rated Estia as a 'truly great place to work'
- 3,092 staff trained across professional development programs
- 53% of Board and Executive level positions held by women
- Australian Aged Care Quality Agency Consumer Experience Survey result was 93.7% for Estia compared to the Aged Care Guild's 92.3%
- Introduction of a Head of Safety
- Reduced lost time to injury frequency rate from 16.2 in FY17 to 9.1 in FY18



Governance Snapshot

- Completed a business risk profile report
- Risk Management Committee created, reporting directly to the Board
- Appointment of a Chief Information Officer
- Developed a data breach notification policy and response plan
- Clinical risk monitored by Board Risk Management Committee
- Clinical Standards Committee, chaired by Chief Nurse, reports directly to the Chief Executive Officer

ESG REPORT

Environmental report

One of Estia’s major environmental impacts is the electricity consumed across the portfolio of aged care homes. A number of projects were implemented in FY18 to reduce the amount of energy consumed which resulted in a corresponding reduction of 6,109 tonnes of CO₂. Projects included installation of:

- Solar panels at 29 sites, resulting in an estimated reduction of 3.62 MWH per annum.
- LED lights across 29 sites, resulting in an estimated reduction of 3.05MWH per annum.
- Solar hot water across 14 sites, resulting in an estimated reduction of 1.825 GJ.
- Review of all laundries and an upgrade of 12 laundries to more energy efficient equipment enabling lower temperature wash cycles.

In mid-2018 Estia also began a program of installation of smart meters across all 68 homes. The smart meters are connected to management software that allows real-time analysis of energy consumption, the identification of sites that require priority action, and accurate reporting on the impacts of energy savings measures. In FY19 gas and water will be added to this management software to further improve monitoring and reporting capabilities. In FY19 Estia will confirm a baseline of consumption for energy, water and gas to accurately measure the impact of further reduction activities.

Reducing the amount of waste produced is another area of focus for the Company. Estia has monthly monitoring of waste and recycling at all its sites and a baseline waste audit is being conducted to measure Estia’s current practice and identify recommendations to reduce the volume of waste going to landfill. Implementation of the recommended actions are to be implemented in 2018 and the results will be reported on in FY19.

Other ongoing initiatives to improve environmental performance include:

- Development of a sustainable procurement policy.
- Implementation of a “cost guarantee” model with a sole chemical supplier to reward reduced consumption of cleaning chemicals.
- Exploring waterless, micro fibre cleaning at homes to reduce chemical use, improve infection control and reduce WHS risks of slips and falls.

Social report

Estia’s major direct social impacts are on our residents and staff in our homes. Delivering the best possible aged care services and experience for our residents and their families is our primary focus, with our staff central to achieving this. Recognising that link between human resource risk and our residents, we have implemented a suite of actions to mitigate this risk and strengthen our social performance.

In August 2017 Estia undertook a Company-wide Staff Engagement Culture Survey conducted by Better Practice Australia. The results of the survey were benchmarked against the aged care and health sector, with Estia rating above average in 87 out of 94 survey questions. Overall Estia scored a rating of 72%, which categorised the Company as a ‘truly great place to work’.

Staff indicated in the survey that they feel supported in professional development. This recognises our partnerships with registered training providers in all states where Estia operates, and provision of internal training for 3,092 staff across various programs in FY17 including:

- Executive Director Leadership Program
- Care Director Clinical Leadership Program
- Emerging Leader Program to nurture talent within the business
- Clinical Education program for Registered Nurses

- Transition to Aged Care program for Graduate Registered Nurses

Estia has an Employee Assistance Program (EAP) which is free, unlimited and confidential and can be accessed by all Estia employees and their immediate families. Support streams include nutrition, lifestyle, money, family, conflict and career.

Estia is also committed to gender diversity across the organisations with 53% of Board and Executive level positions held by women.

The safety of our residents and staff is a consistent focus, demonstrated by the recent introduction of a Head of Safety role. This has reduced the lost time to injury frequency rate from 16.21 in FY17 to 9.09 in FY18. The WHS team meets quarterly with representatives from across Estia to review issues, policies and propose resolutions.

Finally, as part of accreditation of a home, the Australian Aged Care Quality Agency (AACQA) surveys the satisfaction of at least 10% of all residents using the Consumer Experience Survey. These surveys were initially conducted in June Quarter FY17. Results from the latest published results (March 2018 quarter) show Estia’s aggregated result was 93.7% compared to the Aged Care Guild’s 92.3% (the Aged Care Guild is made up of the eight largest private aged care providers).

Governance report

Estia manages environmental and social risks as part of its overarching risk management framework. The Risk Management Committee, which reports directly to the Board, completed a risk profiling exercise covering the entire business in July 2018. The results of this will inform the development of our ESG Strategy during FY19.

An ESG Committee that reports to the Executive Leadership team was established in FY18 to ensure that ESG practice is implemented and remains a priority for the Company. Staff on the Committee include representatives from across all areas of the Company.

Estia has focused on customer privacy and data security risks with an internal governance structure, including the appointment of a Chief Information

Officer (CIO), an Information Security Officer and a Privacy Officer, who sits on the Executive Leadership team. Estia has implemented policies and projects to manage data security and fraud prevention, including: a program to identify and remediate information security threats, a new information security policy and a data breach notification policy and response plan and the launch of annual online cyber security training for all staff.

Estia’s priority remains to ensure we consistently deliver to the high clinical standards that are required as residents enter residential aged care at a later stage and with more acute issues. Our commitment to quality includes a Clinical Standards Committee, chaired by the Chief Nurse, reporting directly to the Chief Executive Officer. Clinical risk is also monitored by the Board Risk Management Committee.

Estia values positive environmental and social outcomes

Estia has achieved significant environmental and social outcomes through a variety of initiatives across our 68 homes, involving our residents and staff. We are actively strengthening our corporate governance practice, have achieved significant resource efficiencies in energy and waste, improved customer privacy and data security and are performing well in safety and both customer and employee satisfaction.

Applying an ESG lens to our decision making and risk management has created significant value and proven that this approach strengthens our resilience and performance. Estia will continue to improve our work in ESG in FY19 by committing to consolidating and coordinating the current environmental and social initiatives across the Company.

We will build on the progress made to date by establishing complete baseline data on which we can measure, monitor and report against. We will map and prioritise our risks, as identified in our recent risk profiling report to inform the development of our first dedicated ESG strategy. Our ESG strategy will strengthen our previous work in ESG, communicate our progress and achievements and most importantly future proof our Company.

CORPORATE GOVERNANCE

The Board of Directors has formally adopted the following policies and charters:

- Board Charter
- Nomination and Remuneration Committee Charter
- Code of Conduct
- Investment Policy and Liquidity Management Strategy
- Disclosure Policy
- Diversity Policy
- Trading Policy
- Risk Management Committee Charter
- Audit Committee Charter
- Property and Investment Committee Charter

These documents are available at
estiahealth.com.au/investor-centre/corporate-governance

The Corporate Governance Statement is also available on Estia's website at
estiahealth.com.au/investor-centre/corporate-governance

The Statement outlines how Estia addresses the ASX Corporate Governance Council's, 'Corporate Governance Principles and Recommendations — 3rd Edition' (referred to as either ASX Principles or Recommendations).



Rashmi, Registered Nurse.
Passionate about caring for residents.

Keith, Resident.
Born in the UK, war veteran.



Stuart, Resident.
Former Australian
Wallaby.

FOCUS ON OUR RESIDENTS: STUART'S STORY

Stuart Macdougall shares his experiences of life, sport and moving into care.

What did you do for a job?

After I left school we had a family business, myself and two brothers for a number of years, but in 1986, I started my own business up in Caringbah called True Blue Chemicals, and built that up.

Do you have family?

I have two sons, who I took into the business. Now one of them is running the Newcastle operation and the other is running the Sydney head office. I also have a daughter, and she's married with four children. I've got ten grandchildren in total.

Tell us about your sporting achievements

I played rugby for Australia. I was a Wallaby from 1973 to 1976, and played eight tests for Australia. I still have the feeling of being an ex-Wallaby and watch all the games. That's one of the great things I have in my room here – I have Foxtel and can plug into all the sports that are on.

What were your days like as a Wallaby and what are some of your highlights?

With the Wallabies, I saw the world. I went to England, Wales, Ireland and Scotland, and played games in America. It was a fabulous thing to have done. It's a great way to travel, with a group of 20-odd people, and we went to some fantastic places. Once we visited Buckingham Palace and the Queen shook hands with all of us. And I went to Tonga with the ACT Canberra rugby team.

How did you get here?

When I finished my rugby career, I had a brain scan and the doctor found some early stages of dementia. It didn't worry me too much at the time, I thought I'd be ok, but here I am.

My daughter and sons wanted me to be somewhere I could be looked after, because I was a bit down for a while. Initially I wasn't all that excited about it, but it's quite a nice place. Overall it's a good spot for people like me who were living by themselves or with family and then needed more care. I've never been looked after before, so that's been an adjustment.

What do you like about living at Estia?

The staff here are good. I enjoy the bus trips, they're great. We had one to Wentworth Falls, last week we went to Hurstville RSL and we went to Bondi to walk along the beach.

Staff let us know when things are on, like singers visiting, and that's good. I go to watch the movies now and again too. Happy hours are well attended and we enjoy the wine and cheese nights too. Anything that brings people together is important and staff here do their best to make those things happen.

SHAREHOLDER INFORMATION

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 26 September 2018.

In accordance with ASX listing rule 4.10.19 the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

Distribution of shareholders

The distribution of issued capital is as follows:

Size of Holding	No. of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and Over	77	219,762,768	84.33
10,001 to 100,000	976	22,902,821	8.79
5,001 to 10,000	1,172	8,720,229	3.34
1,001 to 5,000	3,068	8,362,366	3.21
1 to 1,000	1,732	854,565	0.33
Total	7,025	260,602,749	100.00

Distribution of Performance Rights Holders

The distribution of unquoted Performance Rights on issue are:

Size of Holding	No. of Holders	Unlisted Performance Rights	% of Total Performance Rights
100,001 and Over	3	807,625	88.98
10,001 to 100,000	3	100,059	11.02
5,001 to 10,000	0	0	0.00
1,001 to 5,000	0	0	0.00
1 to 1,000	0	0	0.00
Total	6	907,684	100.00

Less than marketable parcels of ordinary shares

There are 453 shareholders with unmarketable parcels totalling 39,030 shares.

Unquoted Equity Securities

The Company had the following unquoted performance rights on issue as at 26 September 2018:

6 holders of performance rights issued as part of an employee incentive scheme	970,684	100.0%

Restricted Securities

The Company had no restricted securities on issue as at 26 September 2018.

20 Largest Shareholders

The twenty largest shareholders of quoted equity securities are as follows:

Name	No. of fully paid Ordinary Shares	% of Issued Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	48,306,883	18.54
J P MORGAN NOMINEES AUSTRALIA LIMITED	48,065,931	18.44
NETWORK INVESTMENT HOLDINGS PTY LTD	24,665,858	9.46
CITICORP NOMINEES PTY LIMITED	22,677,679	8.70
ARGO INVESTMENTS LIMITED	11,809,250	4.53
NATIONAL NOMINEES LIMITED	7,834,909	3.01
BNP PARIBAS NOMS PTY LTD	7,566,984	2.90
JOHN EMERY KENNEDY	5,352,766	2.05
BNP PARIBAS NOMINEES PTY LTD	4,809,723	1.85
CUSTODIAL SERVICES LIMITED	4,544,822	1.74
MR VINCENT MICHAEL O'SULLIVAN	2,215,000	0.85
PETER & LYNDY WHITE FOUNDATION PTY LTD	2,181,568	0.84
3RD WAVE INVESTORS LTD	2,000,000	0.77
MR MARK EDWARD KENNEDY	1,910,678	0.73
CS FOURTH NOMINEES PTY LIMITED	1,751,558	0.67
UBS NOMINEES PTY LTD	1,555,916	0.60
MARK EDWARD KENNEDY	1,277,438	0.49
CS THIRD NOMINEES PTY LIMITED	1,191,706	0.46
WARBONT NOMINEES PTY LTD	1,180,356	0.45
NETWEALTH INVESTMENTS LIMITED	1,164,413	0.44
Total for top 20 shareholders	202,063,438	77.54
Total Quoted Equity Securities	260,602,749	

Substantial Shareholders

The names of the Substantial Shareholders listed as disclosed by notices submitted to the ASX as at 26 September 2018:

Name	No. of fully paid Ordinary Shares	% of Issued Capital
PERPETUAL LIMITED AND SUBSIDIARIES	33,634,937	12.91
SEVEN GROUP HOLDINGS LIMITED, NETWORK INVESTMENT HOLDINGS PTY LTD & SGHS OTHER SUBSIDIARIES	22,262,396	8.54
CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LTD	18,232,894	7.00

SHAREHOLDER INFORMATION
CONTINUED

Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

Performance rights have no voting rights.

On-Market Buy-Backs

There is no current on-market buy-back in relation to the Company's securities.

Share Trading and Price

Estia shares are traded on the Australian Stock Exchange (ASX). The stock code under which they are traded is 'Estia' and the details of trading activity are available in most daily newspapers under that code and also online through the ASX website, available at asx.com.au.

Website Access

You can access Estia's online Investor Centre by visiting estiahealth.com.au/investor-centre. The Investor Centre provides you with access to important information about Estia's performance, including ASX announcements, Annual Reports, share price graphs and details about Estia's corporate governance.

Shareholders are also able to access and update their shareholding information online by visiting the Investor Centre and clicking on 'Your Account'. Shareholders are able to:

- Register and create a portfolio view of their holdings;
- Update or amend details;
- Download forms, and;
- View transaction history and download statements.



Kay, Resident.
Loves gardening and reading.

Courtney, Lifestyle Officer.
Likes organising engaging activities for residents.

Share Registry

Shareholders with enquiries about their shares can also contact Estia's Share Registry as follows:

Estia Share Registry C/- Link Market Services Limited

Locked Bag A14, Sydney South, NSW, 1235
Telephone: 1300 554 474
ASX Code: Estia
Email: registrars@linkmarketservices.com.au
Website: linkmarketservices.com.au

When communicating with the Share Registry, please quote your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements together with your current address. For Company related requirements, please email investor@estiahealth.com.au.

Change of Name, Address or Banking Details

Issued sponsored shareholders should contact the Share Registry to advise of a change of personal details. CHESS sponsored shareholders should notify their sponsoring broker in writing of a change in their personal details and instruct them to update the Share Registry.

Dividend Reinvestment Plan

On 24 August 2017, the Estia Board advised it had suspended the Dividend Reinvestment Plan until further notice.

TFN/ABN Number

Shareholders are strongly advised to lodge their TFN, ABN or relevant TFN exemption. For shareholders who have not provided these details then Estia is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of any dividend payment. Shareholders can obtain TFN/ABN notification forms by contacting the Share Registry.

Registered Office

Estia Health Limited
Level 9, 227 Elizabeth Street
Sydney, NSW 2000
Telephone: +61 2 9265 7900
Website: estiahealth.com.au

ESTIA HEALTH LIMITED

ABN 37 160 986 201
Annual Financial Report
For the year ended 30 June 2018

CORPORATE INFORMATION	40
DIRECTORS' REPORT	41
AUDITOR'S INDEPENDENCE DECLARATION	68
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	69
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	70
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	71
CONSOLIDATED STATEMENT OF CASH FLOWS	72
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	73
DIRECTORS' DECLARATION	114
AUDITOR'S REPORT	115



Jim - 'The Captain', Resident.
Former cook and
restaurant owner.

CORPORATE INFORMATION

ABN 37 160 986 201

DIRECTORS

Dr. Gary Weiss (Chairman)

Norah Barlow ONZM (Managing Director and CEO)

Andrew Harrison (Audit Committee Chair)

Paul Foster (Nomination and Remuneration Committee Chair)

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

Helen Kurincic (Risk Management Committee Chair)

Patrick Grier AM

Appointed 1 July 2017

Resigned 14 November 2017

COMPANY SECRETARY

Suzy Watson

Resigned 21 December 2017

Leanne Ralph

Appointed 21 December 2017

REGISTERED OFFICE

Level 9, 227 Elizabeth Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Level 9, 227 Elizabeth Street
Sydney NSW 2000

SOLICITORS

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

BANKERS

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2018.

DIRECTORS

The names and qualifications of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated. More information relating to the directors can be found in the investor centre section of the Group's website (<http://www.estiahealth.com.au/investor-centre/corporate-profile>).

DR. GARY WEISS (CHAIRMAN)

Gary was appointed as an independent non-Executive Director in February 2016. Gary was appointed as Chairman on 31 December 2016.

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

NORAH BARLOW ONZM (MANAGING DIRECTOR)

Norah was appointed to the Board in November 2014 as an independent non-executive director. Norah was appointed Acting CEO from September 2016, and appointed permanently to the roles of Managing Director and CEO in November 2016.

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

ANDREW HARRISON (AUDIT COMMITTEE CHAIR)

Andrew was appointed to the Board in November 2014 as an independent non-executive director.

Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from the Wharton School at the University of Pennsylvania, and is a Chartered Accountant.

PAUL FOSTER (NOMINATION AND REMUNERATION COMMITTEE CHAIR)

Paul was appointed as an independent non-executive director in February 2016.

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

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

Warwick was appointed to the Board on 4 May 2017.

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

HELEN KURINCIC (RISK MANAGEMENT COMMITTEE CHAIR)

Helen was appointed to the Board on 1 July 2017.

Helen holds the degrees of Graduate Diploma in Women's Studies and an MBA from Victoria University and has also attended Harvard Business School where she completed programs in Best Practice Leadership and Business Innovations in Global Healthcare.

PATRICK GRIER AM

Patrick was appointed to the Board in December 2014 as Chairman (resigned on 31 December 2016) and independent non-executive director. Patrick resigned from the Board on 14 November 2017.

DIRECTORS' REPORT

COMMITTEE MEMBERSHIP

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

Membership	Audit Committee	Nomination and Remuneration Committee	Risk Management Committee	Property and Investment Committee
Chair	Andrew Harrison	Paul Foster	Helen Kurincic	Hon. Warwick L Smith
Member	Gary Weiss	Gary Weiss	Andrew Harrison	Gary Weiss
Member	Hon. Warwick L Smith	Helen Kurincic	Paul Foster	Paul Foster

DIRECTORS' MEETINGS

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

	Directors' meetings		Audit Committee		Nomination and Remuneration Committee		Risk Management Committee		Property and Investment Committee	
No. of meetings held:	12		4		4		3		3	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr. Gary Weiss	12	12	4	4	-	-	-	-	3	3
Norah Barlow	12	12	-	-	-	-	-	-	-	-
Andrew Harrison	12	11	4	4	-	-	3	2	-	-
Paul Foster	12	12	-	-	4	4	3	3	3	3
Hon. Warwick L Smith	12	12	4	4	-	-	-	-	3	3
Helen Kurincic	12	12	-	-	3	3	3	3	-	-
Patrick Grier	4	3	-	-	1	1	-	-	-	-

DIRECTORS' HOLDINGS

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

Director	Number of ordinary shares
Dr. Gary Weiss	45,312
Norah Barlow	123,100
Andrew Harrison	25,542
Paul Foster	14,000
Hon. Warwick L Smith	45,000
Helen Kurincic	25,000

COMPANY SECRETARY

SUZY WATSON

Suzy was appointed as Company Secretary and General Counsel in December 2014 and resigned as Company Secretary on 21 December 2017. Suzy remains as the General Counsel for the Group.

LEANNE RALPH

Leanne was appointed as Company Secretary on 21 December 2017.

Leanne is an experienced Company Secretary and is the founder and Director of BoardWorx Australia Pty Ltd who specialise in corporate governance services.

DIRECTORS' REPORT

DIVIDENDS

On 15 August 2018, the Directors resolved to pay a final fully franked dividend of 8.0 cents per share (\$20,848,220) bringing dividends per share for the financial year ended 30 June 2018 to 15.8 cents per share. The record date for the final dividend will be 7 September 2018, with payment being made on 28 September 2018. Shares will trade excluding entitlement to the dividend on 6 September 2018.

Dividends paid during the year were as follows:

Dividend	Date paid	Fully franked dividend per share	Total Dividend
Final dividend for the year ended 30 June 2017	29 September 2017	8.0 cents	\$20,848,220
Interim dividend for the year ended 30 June 2018	23 March 2018	7.8 cents	\$20,327,014

PRINCIPAL ACTIVITIES

The principal activities of the Estia Health Group during the year ended 30 June 2018 continued to be the operating and developing of owned and leased residential aged care homes throughout Australia.

OPERATING AND FINANCIAL REVIEW

FY18 represented a year of continued growth and consolidation by the Group, that enhances the Group's strategy to:

- Be the leader in providing high quality residential aged care homes in Australia;
- Provide our residents with the highest standards of aged care services in an innovative, supportive and caring environment; and
- Deliver profitable growth through a robust development pipeline.

Consistent with the strategy articulated by the Board and management, the Group's activities during the year reflected a shift away from its previous acquisition-led growth to a focus on maximising the attractiveness and value of the existing portfolio, a program of comprehensive significant refurbishment and execution of organic greenfield expansion projects.

Key initiatives and achievements for the year included:

- Investment of \$13.9 million of significant refurbishment capital expenditure across 18 of the Group's existing portfolio of Residential Aged Care homes;
- Opening of new homes totalling 186 new beds at Twin Waters in Queensland and Kogarah in Sydney, New South Wales, an incremental increase in total capacity of 136 beds;
- Commencement of construction of a further three new homes at Southport, Sunshine Cove and Blakehurst delivering 345 new beds;
- Progressing two further development opportunities towards final investment approval; and
- Completion of \$4.4 million of sustainability and environmental improvement projects across 47 homes delivering cost savings and environmental benefits.
- Providing a high level of clinical care to residents with complex needs through continued investment in clinical education and systems. This includes a National Clinical Education Program for Registered Nurses (Australian College of Nursing endorsed), regular specialist clinical training in wound and falls management and the ongoing roll out of electronic care planning across the business.

At the end of the year, the Group had 6,046 operational beds, and equally importantly, had positioned itself to pursue continued future growth opportunities through the delivery of strong operational and financial performance as shown below.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

	2018 \$'000	2017 \$'000	2016 \$'000
Government funding	404,064	388,099	327,547
Resident & other revenue	142,990	136,531	115,274
Total operating revenues	547,054	524,630	442,821
Employee benefits expense	360,216	339,515	274,004
Non wage costs	96,755	98,615	79,758
EBITDA*	90,083	86,500	89,059
Depreciation and amortisation expense	22,163	18,405	12,831
Impairment expense	3,839	455	-
Profit on sale of non-current assets	(363)	(1,037)	(889)
FY16 Gain on bargain purchase	-	-	(2,800)
FY16 Acquisition related costs	-	-	24,230
FY16 Other one-off costs	-	-	1,900
Operating profit for the year	64,444	68,677	53,787
Net finance costs	7,279	9,623	7,166
Profit before income tax	57,165	59,054	46,621
Income tax expense	16,011	18,356	18,981
Profit for the year	41,154	40,698	27,640

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

Subsequent to the end of FY18, the Group announced the execution of a key element of its management succession that Deputy CEO and COO Ian Thorley would succeed Norah Barlow as Managing Director and CEO in November 2018, following a period of transition. This succession was accompanied by the announcement that experienced aged care executive, Sean Bilton, will join the Group in late 2018 to succeed Ian Thorley as the Group's Deputy CEO and COO.

REVIEW OF FINANCIAL POSITION

The Group continues to have a healthy balance sheet at 30 June 2018 with Net Assets of \$761,564,000. The Group has continued to invest in building capacity, adding 136 beds during the financial year through the development of two new homes.

As at 30 June 2018, the Group had total bank facilities of \$330,000,000 with an expiry date of 22 August 2020, of which \$251,200,000 remained unutilised. These facilities provide the Group with significant levels of funding for future developments and acquisitions.

CASH FLOW

The Group produced strong operating cash flows in the year with \$103,040,000 generated from the provision of services to residents, and a further \$62,785,000 from net Refundable Accommodation Deposit ("RAD") inflows. The latter was generated through higher occupancy rates, the replacement of RADs or bonds, as new residents moved in to a home at a higher price than a refunded RAD and the opening of two new homes during the year.

DEVELOPMENTS AND ACQUISITIONS

During the year, the Group opened two new homes, Twin Waters, Queensland and Kogarah, New South Wales in September 2017 and March 2018, respectively, which added a total of 136 net new beds. The Group is also in the process of developing five new homes, which are set to open in FY19 and FY20. These new homes under development will add a total of 585 beds to the portfolio.

There were no new acquisitions undertaken during the year. The Group will continue to assess acquisitions as and when they are available and meet the criteria of the Group.

DIRECTORS' REPORT

KEY BUSINESS RISKS

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

CHANGES TO REGULATORY OR FUNDING FRAMEWORK

Risk	The Australian residential aged care industry is highly regulated, with more than 70% of the total revenue comprising funding from the Australian Government. Almost all of the Group's revenues were derived from services provided in accordance with, and legislated by, the <i>Aged Care Act 1997</i> and subsequent Amending Acts, and approximately 74% was paid to the Group from the Australian Government directly. Capital flows from RADs are also governed by the same legislation.
Impact	Any regulatory change for the industry may have an adverse impact on the way the Group promotes, manages and operates its homes, and its financial performance. Changes to the regulatory framework could also impact on competition through deregulation, additional accreditation requirements or changes to capital requirements. Regulatory restrictions may also become more burdensome in the future, which may require the Group to dedicate more time and expenditure to ensuring that the Group complies with such regulations
Mitigant	Ageing demographics point to materially increasing demand for Residential Aged Care places and services in the next decade, notwithstanding an expected increase in funding and take-up of Home Care. The Group monitors demand, services and competitive market dynamics as well as RAD funding levels and preferences and supports the Federal Government's aspiration for the provision of the highest quality residential aged care and value for money to the Government and residents.

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

Risk	The Group's business depends on a specialised health and aged care workforce. There is a risk that the Group may not be able to retain or expand a workforce that is appropriately skilled and trained to meet the existing or future demands of residents at its homes and/or a risk that a shortage of employees leads to upward wage pressure. Competition from other health care providers, such as hospitals and other nursing homes, for appropriately skilled staff and a general industry shortage of staff in key areas, such as nurses and other skilled staff may also increase the bargaining power of healthcare professionals and can lead to upward pressure on applicable wages and salaries.
Impact	Increasing labour costs may adversely affect the Group's business, financial performance and position and future prospects. This may arise as a result of increases in wages which the Group is unable to pass on to residents or is not recognised in full in the Aged Care Funding Instrument ("ACFI") consumer price index adjustments, and/or increase in the use of agency staff, which typically results in higher staffing costs to the Group.
Mitigant	The Group has a program to develop and deliver training for all staff in relation to specialised skills required for quality aged care provision. Importantly the Group's training is provided to, and focussed on, both clinical and non-clinical staff. The Group is also focussed on optimising its existing workforce mix to offer secure long-term opportunities to care employees, with extensive planning around leave and roster management to reduce dependence on casual and agency employees.

RAD BALANCES

Risk	The Group is exposed to risks associated with the fluctuations of RAD/Bond balances due to a range of factors. If a larger than expected number of bond/RAD paying residents were to leave the Group's aged care homes, the Group might be required to repay a large sum of bonds/RADs, all of which may not be able to be replaced immediately. The Group is also exposed to risks that may adversely affect the future value of the Group's total accommodation bonds/RADs, including specific issues arising in the Group (such as a non-compliance or loss of certification at a home), a general reduction in the price that can be achieved for new RADs, or demand for the Group's aged care services changing over time due to general economic factors.
Impact	There may be material impact on the Group's cash flows and debt levels if a high number of departing RAD payers are subsequently replaced by non-RAD paying residents, such as residents who elect to make a daily accommodation payment or are concessional residents.

DIRECTORS' REPORT

KEY BUSINESS RISKS (CONTINUED)

RAD BALANCES (CONTINUED)

Mitigant The Group regularly monitors and analyses RAD movements across the portfolio, maintains a formal liquidity policy to ensure sufficient cash reserves are on-hand to refund RADs as and when they fall due, supported by a \$330 million debt facility that is available for use to fund future developments and capital expenditure if RAD inflows reduce.

OCCUPANCY LEVELS MAY FALL

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

- Increased competition
- Changing consumer trends
- Declining referrals from hospitals and other sources

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

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

FAILURE TO MEET CLINICAL CARE STANDARDS

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

The Group may experience a decline in its clinical outcomes in circumstances where incidents are not identified, assessed or reported, employees do not follow policies and procedures or external health consultants do not provide the services in which they were engaged to provide.

Impact Failures to meet clinical care standards may lead to adverse impacts on the Group's reputation in the industry, leading to a reduction in occupancy, or in certain circumstances, may lead to a loss of accreditation as an Approved Provider. As a result, there may be an overall decline to profitability due to decreased occupancy and/or additional costs required to ensure clinical care standards are improved.

Mitigant The Group ensures that it's clinical care standards are of the highest quality and any declines in standards are addressed swiftly. The Group employs a Chief Nursing Officer who is responsible for clinical governance strategies and a Quality and Risk Director who is responsible for the clinical education and development of the Group's employees.

ESTIA'S REPUTATION MAY BE DAMAGED

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

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

Mitigant The Group has a robust quality management framework that identifies and profiles risk across the business. This framework is owned at Executive level by the Quality and Risk Director. Trends across the business are also tracked through frequent analysis of the aggregate complaints data.

Incidents that may damage the Group's reputation at a home level are escalated to the Executive as part of the quality and risk policy.

DIRECTORS' REPORT

KEY BUSINESS RISKS (CONTINUED)

ESTIA MAY LOSE KEY PERSONNEL

Risk The Group relies on a high quality executive and leadership teams that are central, state and locally based with significant aged care industry experience.

Impact The loss of key personnel could undermine the Group's ability to operate its homes and its business to current standards, to effectively comply with regulations and could also jeopardise the Approved Provider status of the Group if they were not replaced promptly with other appropriately skilled and qualified employees.

This may result in a reduction in demand for Estia's aged care services from new and existing residents and could adversely impact Estia's financial performance and position and future prospects.

Mitigant The Group regularly assesses its remuneration and reward structure and other terms and conditions of employment to attract, secure and retain high quality personnel. The Group undertakes succession planning and staff management and development practices to develop and maintain the depth and quality of its leadership team.

INFORMATION TECHNOLOGY (IT) SYSTEM BREACHES OR LOSS

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of our company during the financial year ended 30 June 2018.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to 30 June 2018, the Group has repaid a total of \$30,000,000 of bank debt.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group is focused on maximising the value of the Group's existing assets through a range of operational improvements, development-led growth opportunities, and significant refurbishment opportunities that exist within the business. The Group will carefully consider future smaller bolt-on acquisition opportunities within existing geographic networks, should they arise, which meet the Group's investment criteria.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIRECTORS' REPORT

PERFORMANCE RIGHTS

UNISSUED SHARES

As at the date of this report, there were 907,684 unissued ordinary shares under performance rights (2017: 524,238).

SHARES ISSUED AS A RESULT OF THE VESTING OF PERFORMANCE RIGHTS

No performance rights vested during the year ended 30 June 2018 (2017: nil). During the year ended 30 June 2018, 476,980 rights were granted (2017: 515,819) and 93,534 rights were forfeited (2017: 903,838).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

- (a) liabilities incurred by the person in the capacity as an officer where permitted under section 199A(2) of the *Corporations Act 2001*;
- (b) legal costs incurred in relation to civil or criminal proceedings in which the officer becomes involved because of that capacity;
- (c) legal costs incurred in connection with any investigation or inquiry of any nature because of that capacity; and
- (d) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer.

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

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

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

The contract does not provide cover for the independent auditors.

INDEMNIFICATION OF AUDITORS

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

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance services	170,000
Assurance related services	23,000
	<u>193,000</u>

DIRECTORS' REPORT

ROUNDING

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

This report is made on 16 August 2018 in accordance with a resolution of Directors.



Dr. Gary Weiss
Chairman

DIRECTORS' REPORT

Remuneration report – audited

Dear shareholders,

The Estia Board is pleased to present the Remuneration Report for the year ended 30 June 2018 (FY18).

Strategic and Operational Developments

FY18 represented a year of continued growth and consolidation at Estia Health Limited (the Group). Consistent with the strategy articulated by the Board and management, the Group's activities during the year reflected a shift away from its previous acquisition led growth, to a focus on maximising the attractiveness and value of the existing portfolio, for the benefit of residents and shareholders, through operational excellence, a program of comprehensive significant refurbishment and execution of organic greenfield expansion projects. Key initiatives and achievements for the year included:

1. Investment of \$13.9 million of significant refurbishment capital expenditure across 18 of the Group's existing portfolio of Residential Aged Care homes, substantially enhancing the quality of accommodation and resident experience at those homes, at attractive returns to shareholders;
2. Improving the availability of high quality Residential Aged Care in the community through the opening of new homes at Twin Waters in Queensland in September 2017 and Kogarah in Sydney, New South Wales in March 2018;
3. Commencement of construction of a further three new homes in the Group's key target South East Queensland and Sydney regions at Southport, Sunshine Cove and Blakehurst; and
4. Providing a high level of clinical care to residents with complex needs through continued investment in clinical education and systems. This includes a National Clinical Education Program for Registered Nurses (Australian College of Nursing endorsed), regular specialist clinical training in wound and falls management and the ongoing roll out of electronic care planning across the business.

Importantly, the Group positioned itself to pursue continued future growth opportunities through the delivery of strong operational and financial performance, the maintenance of a robust balance sheet and execution of its management succession plan with the announcement, subsequent to the end of FY18, that Deputy CEO and COO Ian Thorley would succeed Norah Barlow as the Group's Managing Director and CEO in November 2018 following a period of transition. This succession was accompanied by the announcement that experienced aged care executive, Sean Bilton, will join the Group in late 2018 to succeed Ian Thorley as the Group's Deputy CEO and COO.

The Board's diversity, experience and capabilities were bolstered in FY18 with healthcare leader Helen Kurincic joining the Group as a Non-Executive Director ("NED") on 1 July 2017. The Group expects to further enhance and diversify the skillset of the Board during FY19.

Changes to FY18 Remuneration

The Group initiated a number of key changes to its remuneration framework in FY18, designed to enhance alignment of interest with the Group's shareholders, including:

1. Extension of a 12-month deferral of 25% of any Short-Term Incentive Plan (STI) payments (deferral into Estia Shares) from the Managing Director to other members of the Group's Executive Key Management Personnel (KMP);
2. Implementation of a broad-based STI scorecard against which KMP performance is assessed for the purpose of STI eligibility. In addition to broadening the range of financial metrics against which performance is assessed, the STI scorecard incorporates key non-financial metrics such as workplace safety as well as role-specific metrics. A quality "gateway", requiring that ongoing compliance and accreditation targets be met for KMPs to be eligible for STI awards, irrespective of STI scorecard performance, remains in place;
3. The introduction of Board Sub-committee fees within the constraints of an unchanged overall NED fee cap.

DIRECTORS' REPORT

Remuneration report – audited (continued)

FY18 Remuneration Outcomes

FY18 STI vesting outcomes for Executive KMP ranged between 22-35% of their STI opportunity.

While FY18 EBITDA and NPAT were both up from FY17, results were below target, and accordingly nil vesting occurred in relation to these measures.

The partial vesting of the FY18 STI reflects achievement of the resident quality gateway hurdle, exceeding the Lost Time Injury Frequency Rate (LTIFR) target and partial achievement of various role specific measures including exceeding target revenue per operating bed.

No vesting occurred under previous year's Long-Term Incentive Plan grants in FY18.

Looking Forward – Changes to FY19 Remuneration

The Board undertook a comprehensive review of the Group's remuneration framework and mechanisms during FY18, in the context of an emerging trend amongst a number of ASX-listed companies towards Single Incentive Plan arrangements. The conclusion from this review was that the current remuneration framework, which provides separate STI and LTI mechanisms, remains the most appropriate incentive structure at this time to create shareholder alignment, employee motivation and the balance between short and long term performance focus.

This conclusion continues to be balanced with the Group's requirement to attract, motivate and retain the best available management talent within the aged care industry and ongoing reviews of the Group's remuneration mechanisms will be undertaken by the Board to ensure that they remain effective and aligned with shareholder experience.

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

1. The STI scorecard comprises financial and non-financial performance metrics that have been agreed with the Board that are common across each KMP for 60% of the scorecard evaluation, with the remaining 40% comprised of role-specific measures;
2. 70% of LTI vesting entitlement has previously been measured against a Total Shareholder Return (TSR) comparator comprised of the performance of the ASX200 excluding mining and energy companies. Whilst 70% of the LTI vesting entitlement will continue to be measured against a TSR comparator for FY19, to make the comparator measure more directly relevant to the Group's performance against ASX-listed industry peers:
  - half of the TSR comparator will be comprised of the performance of the ASX200 excluding mining and energy companies; and
  - half of the TSR comparator will be comprised of the market capitalisation weighted average performance of a peer group of ASX-listed companies operating in the provision of aged care services.

On behalf of the Board, I am pleased to present to you the FY18 Remuneration Report for the Group and we look forward to welcoming you at the 2018 AGM.

Yours sincerely



Paul Foster

Chair of the Nomination and Remuneration Committee

DIRECTORS’ REPORT

Remuneration report – audited (continued)

This report for the year ended 30 June 2018 (FY18) outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001(Cth), as amended* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

This report is presented under the following sections:

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

1. Introduction

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

The table below outlines the KMP of the Group during FY18. There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

For the purposes of this report, the term “executive” includes the executive directors and senior executives of the Group.

Non-executive directors (NEDs)		
Gary Weiss	Non-Executive Chairman	Full year
Andrew Harrison	Non-Executive Director	Full year
Paul Foster	Non-Executive Director	Full year
Hon. Warwick L Smith AM	Non-Executive Director	Full year
Helen Kurincic	Non-Executive Director	Appointed 1 July 2017
Patrick Grier	Non-Executive Director	Retired 14 November 2017

DIRECTORS’ REPORT

Remuneration report – audited (continued)

Executive Director		
Norah Barlow ¹	Managing Director and Chief Executive Officer (MD and CEO)	Full year

Senior Executives		
Ian Thorley ²	Deputy Chief Executive Officer and Chief Operating Officer (Deputy CEO and COO)	Full year
Steve Lemlin	Chief Financial Officer (CFO)	Full year
Steve Boggiano ³	Chief Strategy Officer (CSO)	Until 13 July 2017

2. Remuneration governance

2.1 Nomination and Remuneration Committee

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

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

The Committee met four times in FY18. The MD and CEO attends certain Committee meetings by invitation, where management input is required. The MD and CEO is not present during any discussions related to their own remuneration arrangements.

2.2 Use of Independent Remuneration Consultants

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

During the year ended 30 June 2018, the Nomination and Remuneration Committee engaged KPMG to provide benchmarking data, provide advice on trends in executive remuneration, and assist with various other related executive remuneration matters.

As part of this engagement, KPMG provided advice to the Committee which contained remuneration recommendations as defined by the *Corporations Act 2001*. KPMG was paid \$30,000 (excluding GST) in relation to these recommendations.

KPMG provided a formal declaration confirming that its recommendations were made free from undue influence by the members of the key management personnel to whom the recommendations relate to and, in view of this declaration and the protocols and processes governing the engagement of KPMG and receipt of its recommendations, the Board is satisfied that each of the recommendations were free of undue influence by such persons.

¹ Norah Barlow held the position as Non-Executive Director from December 2014 to September 2016. Norah was appointed as Acting CEO on 16 September 2016 and then appointed permanently as Managing Director and Chief Executive Officer in November 2016 with a commencement date of 17 January 2017. Norah Barlow will be stepping down as MD and CEO in November 2018.

² Ian Thorley will be succeeding Norah Barlow as MD and CEO in November 2018, and Sean Bilton will step into the role of Deputy CEO and COO.

³ The Group did not replace the role of Chief Strategy Officer following the departure of Steve Boggiano.

DIRECTORS’ REPORT

Remuneration report – audited (continued)

KPMG was paid \$155,345 (excluding GST) for other services relating to advisory and tax matters during the 2018 financial year.

3. Group performance

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

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

*share price at date of listing

4. Remuneration principles and strategy

The remuneration strategy and framework set by the Nomination and Remuneration Committee is designed to support and drive the achievement of the Group’s business strategy. It aims to ensure that remuneration outcomes are linked to the Group’s performance and aligned with shareholder outcomes.

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

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

5. Executive remuneration

5.1 Remuneration Framework and link to strategy

In FY18, the executive remuneration framework comprised a mix of fixed annual remuneration, and short and long-term performance-linked incentive plans. The Group aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive and delivering outcomes that are aligned to the experience of the Group’s shareholders.

Component	Approach	Link to business and remuneration strategy
Fixed Annual Remuneration (FAR)	FAR is set with reference to role, market and experience of the employee with reference to external benchmarking data, particularly looking at competition in the same sector, both public and private. Group and individual performance are considered during the annual remuneration review.	Competitive remuneration packages that attract and retain high calibre employees from a diverse pool of talent.

DIRECTORS’ REPORT

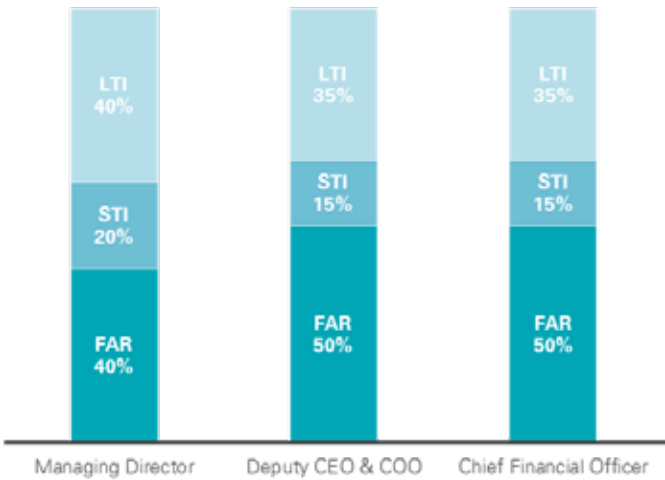
Remuneration report – audited (continued)

Component	Approach	Link to business and remuneration strategy
Short-Term Incentive Plan (STI)	In FY18, the STI was measured against EBITDA, NPAT and Lost Time Injury Frequency Rate (LTIFR) targets, as well as other role specific measures over a 12-month period. A resident quality gateway hurdle was also used which required ongoing compliance and accreditation targets to be met in order for any of the STI to be eligible to vest. For executive KMP’s the STI award is delivered in a mix of cash and equity. 75% of the award is delivered in cash, with the remaining 25% delivered in performance rights, which require participants to remain employed for an additional 12 months for the performance rights to vest.	Short term incentives align the interests of executives with achievement of business strategic objectives over the short to medium term. The STI scorecard highlights the Group’s focus on achieving key financial and operational targets, while also continuing to deliver quality care. Deferral of 25% of any STI award into equity increases alignment with shareholder interests.
Long-Term Incentive Plan (LTI)	The LTI is delivered in the form of performance rights subject to the following performance conditions, measured over a three-year period: • Total shareholder return (TSR) performance relative to the ASX200 excluding mining and energy companies (70%); and • Earnings Per Share (EPS) (30%).	The LTI is designed to drive sustainable value creation for shareholders; encourage retention and encourage a multi-year performance focus. Relative TSR focuses executives on generating returns for shareholders, while EPS challenges management to increase profitability by growing earnings over a long-term horizon. The LTI is delivered in equity which aligns the interests of executive with achievement of increased shareholder wealth over the long-term.
Total remuneration	The overall remuneration framework is designed to support and drive the achievement of the Group’s business strategy: • be the leader in providing high quality residential aged care homes in Australia • providing our residents with the highest standards of aged care services in an innovative, supportive and caring environment • deliver profitable growth through our robust development pipeline, significant refurbishment opportunities and through maximising the performance of our core assets.	

DIRECTORS’ REPORT

Remuneration report – audited (continued)

5.2 FY18 Remuneration Opportunity Mix⁴



5.3 Fixed Annual Remuneration

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

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

As part of the review, the Committee engages KPMG to benchmark the remuneration of the current KMP against relevant roles from a comparator group of ASX-listed companies⁵.

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

5.4 Short-Term Incentive Plan

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

Participation	Norah Barlow, Ian Thorley and Steve Lemlin all participated in the FY18 STI plan.
STI value	In FY18, the MD had a maximum STI opportunity of 50% of FAR and other executive KMP had a maximum STI opportunity of 30% of FAR.
Performance conditions	The FY18 performance measures were EBITDA, NPAT and Lost Time Injury Frequency Rate (LTIFR) targets, as well as other role specific measures. The STI is subject to a resident quality gateway hurdle which requires ongoing compliance and accreditation targets to be met in order for any of the STI to be eligible to vest.
Delivery of STI	Performance against the measures is tested annually after the end of the financial year. All payments under the STI plan are determined and approved by the Committee and the Board. Once STI payments have been approved, they are delivered in cash and equity. For the MD and senior executives 25% of any payment is deferred for a period of 12 months in the form of performance rights. The quantity of instruments granted in performance rights is determined using face value allocation methodology, using the VWAP for the 10 trading

⁴ Steve Boggiano did not participate in the FY18 STI or LTI.
⁵ The comparator group is comprised of ASX-listed companies within the Health Care, Real Estate and Consumer Discretionary sectors, with a market capitalization of 50% - 200% of the Group’s.

DIRECTORS’ REPORT

Remuneration report – audited (continued)

Cessation of employment	days immediately following the release of results (i.e. deferred STI amount divided by share price). For “Bad Leavers” (defined by the Group as resignation or termination for cause), any unpaid or deferred STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rata basis taking into account time and the current level of performance against performance hurdles.
Clawback policy	The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group’s financial statements.
Changes in FY19	The FY19 STI scorecard will be comprising financial and non-financial measures, including 60% that are consistent across each member of KMP and 40% specific for each role. The resident quality gateway hurdle will continue to apply in FY19.

5.4.1 STI remuneration outcomes

In FY18, the Group met the resident quality gateway hurdle, which allowed an STI payment to be made, subject to the achievement of STI scorecard measures.

An overview of Executive KMP performance under the FY18 STI scorecard is detailed in the table below.

Performance measure	Weighting	Outcome
EBITDA	25%	EBITDA result of \$90,083 was below target – nil vesting.
NPAT	25%	NPAT result of \$41,154 was below target – nil vesting.
LTIFR ⁶	10%	LTIFR in FY18 was 43.93% lower than in FY17. This comfortably exceeded the target of a 25% reduction on FY17 performance – full vesting
Role specific measures	40%	A variety of role specific measures were used for different members of the Executive KMP, including revenue per operating bed day, delivery of the Group’s technology strategy, and the achievement of systems integration targets. Revenue per operating bed day was the most material of these measures and vested at 55% as a result of the target being exceeded marginally. Overall, vesting under roles specific measures ranged from 29%-51% for the Executive KMP.

The table below sets out each Executive KMP’s STI awarded and foregone in FY18. 25% of the STI awarded is delivered in performance rights, subject to 12 months deferral.

Senior Executive	STI opportunity (\$)	STI awarded (\$)	STI awarded (%)	STI foregone (%)
Norah Barlow	350,000	75,600	22%	78%
Ian Thorley	135,000	47,631	35%	65%
Steve Lemlin	129,758	39,171	30%	70%

⁶ Ian Thorley has a 20% weighting for the LTIFR component, and a 30% weighting under role specific measures.

DIRECTORS’ REPORT

Remuneration report – audited (continued)

5.5 Long-Term Incentive Plan

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

Participation	LTI performance rights were offered to all members of executive KMP in FY18. This will occur again in FY19, with the MD's FY19 LTI grant subject to approval at the FY18 AGM.	
Delivery of LTI	LTIs are delivered in the form of performance rights. On exercise, performance rights entitle the holders to ordinary shares.	
LTI value	In FY18, the MD had a LTI opportunity of 100% of FAR, other executive KMP had a LTI opportunity of 70% of FAR.	
Allocation methodology	The quantity of instruments granted under the LTI is determined using face value allocation methodology, using the VWAP for the 10 trading days immediately following the release of results (i.e. LTI opportunity divided by share price).	
Performance conditions	The performance conditions for FY18 performance rights are as follows: 70% of award will be subject to a relative TSR performance measure, with the below vesting schedule.	
	Group’s TSR over performance period, relative to companies in the ASX 200 Index, excluding mining and energy companies	Percentage of performance rights that vest
	Less than median of comparator group	Nil
	At median of comparator group	50%
	Between median and 75th percentile of comparator group	Straight line pro rata vesting between 50% and 100%
	Greater than 75th percentile of comparator group	100%
	30% of award subject to EPS performance measure, with the below vesting schedule.	
	Group’s compound annual growth of EPS from FY17 base year	Percentage of performance rights that vest
	Below threshold rate	Nil
	At threshold rate	25%
	Between threshold and stretch rate	Straight line pro rata vesting between 25% and 100%
	At or in excess of stretch rate	100%
	When assessing performance against targets, EPS will be adjusted to account for acquisitions made during the performance period. The absolute EPS threshold and stretch targets will be explicitly disclosed retrospectively to the extent that any LTI performance rights vest as a result of the achievement of the EPS performance measure, subsequent to the conclusion of the relevant performance period.	

DIRECTORS’ REPORT

Remuneration report – audited (continued)

Performance period	The performance rights granted in FY18 have a performance period of three years.
Lapse of performance rights	Any performance rights that remain unvested at the end of the performance period will lapse immediately.
Total shares issued	The number of shares allocated on the vesting of all outstanding rights may not exceed 5% of the total number of shares on issue at the time of the offer.
Cessation of employment	For “bad leavers” (defined by the Group as resignation or termination for cause), all of the performance rights held by that employee upon cessation will automatically lapse. Cessation of employment for any other reason, a portion of the performance rights held by that employee upon cessation will lapse according to a formula which takes into account the length of time the participant has held the performance right and the performance period for the performance right, unless otherwise determined by the Board.
Change of control	The Board may exercise its discretion to allow all or some unvested rights to vest if a change of control event occurs, having regard for the performance of the Group during the vesting period up to the date of a change of control event.
Clawback policy	The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group’s financial statements.
Changes in FY19	In FY19, the TSR component which comprises 70% of the award will be assessed against the following ASX-listed peer groups: - half against the ASX200 excluding mining and energy companies; and - half against the market capitalisation weighted average performance of a peer group of ASX-listed companies operating in the provision of aged care services.

5.5.1 LTI Vesting Outcomes

No portion of the FY16 LTI vested due to TSR performance being below the threshold level required for vesting to commence.

DIRECTORS' REPORT

Remuneration report – audited (continued)

7. Executive employment contracts

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

Name	FAR	Agreement commence	Agreement expire	Notice of termination by Group	Employee notice
Norah Barlow	\$700,000	17 January 2017	3 years fixed term	6 months (or payment in lieu of notice)	6 months
Ian Thorley	\$450,000	24 October 2016	3 years fixed term	3 months (or payment in lieu of notice)	3 months
Steve Lemlin	\$432,525	1 February 2017	No expiry, continuous agreement	3 months	3 months

As announced on 23 July 2018, Norah Barlow will be stepping down as Chief Executive Officer and Managing Director in November 2018 and will be succeeded by Ian Thorley. Sean Bilton will join the business as Deputy CEO and COO.

A summary of the material terms of Ian Thorley's employment agreement following his appointment as Chief Executive Officer and Managing Director, can be viewed at:
<https://events.miraqle.com/DownloadFile.axd?file=/Report/ComNews/20180723/02001293.pdf>

8. Non-executive director fee arrangements

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

8.1 Fee Pool

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

DIRECTORS' REPORT

Remuneration report – audited (continued)

6. Executive remuneration outcomes

6.1 Executive remuneration for the year from 1 July 2017 to 30 June 2018

		Short-term benefits			Post-employment benefits	Long-term benefits	Fixed annual remuneration	Share based payments		Total fixed and "at risk" remuneration	Termination payments	Performance related remuneration
		Salary and fees	STI bonus	Non-monetary benefits		Long service leave entitlements		Deferred STI ⁷	LTI			
Executive director		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Norah Barlow	2018 2017	679,951 556,499	56,700 -	- -	20,049 48,117	- -	700,000 604,616	18,900 -	259,389 117,086	1,034,989 721,702	- -	32% 16%
Senior executive												
Ian Thorley	2018 2017	429,951 276,923	35,723 -	- -	20,049 23,244	- -	450,000 300,167	11,908 -	99,644 40,264	597,275 340,431	- -	25% 12%
Steve Lemlin	2018 2017	412,476 164,077	29,378 -	- -	20,049 15,587	- -	432,525 179,664	9,793 -	70,531 12,674	542,227 192,338	- -	20% 7%
Former executives												
Steve Boggiano	2018 2017	15,656 455,998	- -	- -	1,487 42,645	- -	17,143 498,643	- -	(37,197) 56,807	(20,054) 555,450	155,111 -	N/A 10%
Paul Gregersen	2018 2017	- 554,572	- -	- -	- 26,407	- -	- 580,979	- -	- -	- 580,979	- 205,552	- N/A
Joe Genova	2018 2017	- 76,923	- -	- -	- 7,308	- -	- 84,231	- -	- 12,172	- 96,403	- -	- N/A
Total	2018 2017	1,538,034 2,084,992	121,801 -	- -	61,634 163,308	- -	1,599,668 2,248,300	40,601 -	392,367 239,003	2,154,437 2,487,303	155,111 205,552	

⁷ The deferred STI is equity settled. The fair value of the deferred share component is amortised over the vesting period, being twelve months after the reporting period.

DIRECTORS' REPORT

Remuneration report – audited (continued)

8.2 Director’s 2018 Fee Structure

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

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

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group’s affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

8.3 Changes for FY19

No changes to NED base or committee fees will be made in FY19.

DIRECTORS' REPORT

Remuneration report – audited (continued)

8.4 Non-Executive director remuneration

The table below outlines NED remuneration for FY18 in accordance with statutory rules and applicable accounting standards.

	Year	Board fees \$	Superannuation \$	Total fees \$
Non-Executive Director				
Gary Weiss	2018	250,992	20,049	271,041
	2017	159,254	15,130	174,384
Andrew Harrison	2018	114,155	10,845	125,000
	2017	91,324	8,676	100,000
Paul Foster	2018	123,288	11,712	135,000
	2017	91,324	8,676	100,000
Warwick Smith	2018	114,155	10,845	125,000
	2017	14,512	1,378	15,890
Helen Kurincic	2018	114,155	10,845	125,000
	2017	-	-	-
Former Non-Executive Director				
Patrick Grier ⁸	2018	41,133	3,908	45,041
	2017	160,380	15,236	175,616
Norah Barlow ⁹	2018	-	-	-
	2017	21,370	-	21,370
Peter Arvanitis ¹⁰	2018	-	-	-
	2017	16,986	1,474	18,460
Marcus Darville ¹¹	2018	-	-	-
	2017	25,205	-	25,205
Jonathon Pearce ¹²	2018	-	-	-
	2017	-	-	-
Total	2018	757,878	68,204	826,082
	2017	580,355	50,570	630,925

⁸ Patrick Grier retired from his position as a NED on 14 November 2017.
⁹ Norah Barlow stepped down from her position as a NED on 16 September 2016 and was appointed as acting Chief Executive Officer.
¹⁰ Peter Arvanitis resigned on 31 August 2016.
¹¹ Marcus Darville resigned on 30 September 2016.
¹² Jonathon Pearce was an Alternate NED for Marcus Darville. Jonathon did not receive any NED remuneration during the relevant period. Jonathon resigned on 30 September 2016.

DIRECTORS' REPORT

Remuneration report – audited (continued)

9. Additional disclosures relating to performance rights and shares

9.1 Performance rights granted, vested and lapsed during the year

The table below discloses the number of performance rights granted, vested or lapsed during the year. Performance rights do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date. No options were granted to members of KMP during FY18.

	Number of rights granted during the year	Grant date ¹³	Fair value per right at grant date	Vesting date	Exercise price per right	Expiry date	Number of rights vested during the year	Number of rights lapsed during the year
Executive director								
Norah Barlow ¹⁴	183,047	21/12/17	1.77	31/10/19	Nil	31/10/19	-	-
	78,448	21/12/17	1.66	30/06/19	Nil	30/06/19	-	-
	155,917	21/12/17	1.58	30/06/20	Nil	30/06/20	-	-
	66,821	21/12/17	1.61	30/06/20	Nil	30/06/20	-	-
Senior Executive								
Ian Thorley	70,223	16/08/17	1.16	30/06/20	Nil	30/06/20	-	-
	30,095	16/08/17	1.37	30/06/20	Nil	30/06/20	-	-
Steve Lemlin	67,496	16/08/17	1.16	30/06/20	Nil	30/06/20	-	-
	28,927	16/08/17	1.37	30/06/20	Nil	30/06/20	-	-
Former Executive								
Steve Boggiano	-	N/A	N/A	N/A	N/A	N/A	-	85,115
Total	680,974						-	85,115

¹³ Valuations of performance rights which are subject to total shareholder return performance hurdle vary due to the fact that the performance periods commenced at different dates for each participant listed, i.e. the performance periods for Ian Thorley and Steve Lemlin commenced on 16/08/17, while Norah Barlow's performance period commenced on 21/12/17 following the shareholder approval at the Group's FY17 AGM on 14 November 2017.

¹⁴ Shareholders approved the grant of 484,233 performance rights to Norah Barlow in respect of the FY17 and FY18 LTI, at the Group's FY17 AGM held on 14 November 2017.

DIRECTORS' REPORT

Remuneration report – audited (continued)

9.2 Performance rights holdings of KMP and related parties

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

						Vested at 30 June 2018	
	Number of rights at 1 July 2017	Granted as remuneration	Rights exercised	Net change other	Number of rights at 30 June 2018	Exercisable	Not exercisable
Executive director							
Norah Barlow	-	484,233	-	-	484,233	-	-
Senior Executive							
Ian Thorley	81,430	100,318	-	-	181,748	-	-
Steve Lemlin	45,221	96,423	-	-	141,644	-	-
Former Executive							
Steve Boggiano	127,673	-	-	(85,115)	42,558	-	-
Total	254,324	680,974	-	(85,115)	850,183	-	-

DIRECTORS’ REPORT

Remuneration report – audited (continued)

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

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

	Value of rights granted during the year ^a	Value of rights exercised during the year ^b	Value of rights lapsed during the year ^c	Remuneration consisting of rights for the year
	\$	\$	\$	%
Executive director				
Norah Barlow ¹⁵	809,399	-	-	32%
Senior executive				
Ian Thorley	122,466	-	-	25%
Steve Lemlin	117,712	-	-	20%
Former executive				
Steve Boggiano	-	-	113,614	N/A
Total	1,049,577	-	113,614	

^a Determined at the time of grant per the AASB 2.

^b Determined at the time of exercise.

^c Determined at the time of lapse.

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

¹⁵ Shareholders approved the grant of 484,233 performance rights to Norah Barlow in respect of the FY17 and FY18 LTI, at the Group’s FY17 AGM held on 14 November 2017.

DIRECTORS’ REPORT

Remuneration report – audited (continued)

9.4 Shareholdings of KMP and related parties

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

	Number of shares at 1 July 2017	Granted as remuneration	Exercise of rights	Net change other	Number of shares at 30 June 2018 ¹⁶	Held nominally
Non-Executive Director						
Gary Weiss	45,312	-	-	-	45,312	45,312
Andrew Harrison	25,542	-	-	-	25,542	25,542
Paul Foster	8,000	-	-	6,000	14,000	14,000
Warwick Smith	45,000	-	-	-	45,000	45,000
Helen Kurincic	-	-	-	25,000	25,000	25,000
Patrick Grier	353,787	-	-	-	353,787	353,787
Senior executive						
Norah Barlow ¹⁷	123,100	-	-	-	123,100	123,100
Ian Thorley	28,518	-	-	-	28,518	28,518
Steve Lemlin	8,000	-	-	-	8,000	8,000
Former executives						
Steve Boggiano	140,000	-	-	-	140,000	140,000
Total	777,259	-	-	31,000	808,259	808,259

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

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

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

¹⁶ The number of shares held for KMP who have resigned during the year are as at the date of their respective resignations.

¹⁷ Shareholders approved the grant of 484,233 performance rights to Norah Barlow in respect of the FY17 and FY18 LTI, at the Group’s FY17 AGM held on 14 November 2017.



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

As lead auditor for the audit of Estia Health Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Rodney Piltz
Partner
16 August 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
Revenues	B1	546,934	524,630
Other income	B1	483	1,037
Expenses			
Administrative expenses	B2	16,064	16,990
Depreciation and amortisation expense	B3	22,163	18,405
Impairment expense	B3	3,839	455
Employee benefits expense	B4	360,216	339,515
Occupancy expenses	B5	29,598	28,527
Resident expenses		51,093	53,098
Operating profit for the year		64,444	68,677
Net finance costs	B6	7,279	9,623
Profit before income tax		57,165	59,054
Income tax expense	B7	16,011	18,356
Profit for the year		41,154	40,698
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Total comprehensive income for the year, net of tax		41,154	40,698
		cents	cents
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the Parent	B8	15.8	18.2
Diluted, profit for the year attributable to ordinary equity holders of the Parent	B8	15.7	18.0

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	C3	11,198	19,215
Trade and other receivables	C4	9,485	10,359
Income tax receivable	B7	913	-
Prepayments and other assets		6,884	5,353
Assets held for sale	C5	902	2,561
Total current assets		29,382	37,488
Non-current assets			
Property, plant and equipment	C1	757,110	723,549
Investment properties	C6	1,620	1,500
Goodwill	C2	817,074	817,074
Other intangible assets	C2	218,714	218,916
Total non-current assets		1,794,518	1,761,039
Total assets		1,823,900	1,798,527
Current liabilities			
Trade and other payables	C7	40,699	28,855
Loans and borrowings	D3	-	264
Income received in advance		25	24
Refundable accommodation deposits and bonds	D4	791,508	730,222
Other financial liabilities	C9	1,371	1,293
Income tax payable	B7	-	4,227
Provisions	C8	41,793	38,955
Total current liabilities		875,396	803,840
Non-current liabilities			
Deferred tax liabilities	B7	107,610	108,765
Loans and borrowings	D3	75,000	121,250
Provisions	C8	4,269	3,441
Other payables	C7	61	115
Total non-current liabilities		186,940	233,571
Total liabilities		1,062,336	1,037,411
Net assets		761,564	761,116
Equity			
Issued capital	D1	801,836	801,830
Share-based payments reserve		1,136	673
Accumulated losses		(41,408)	(41,387)
Total equity		761,564	761,116

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Issued capital \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
As at 1 July 2016		649,163	515	(57,997)	591,681
Profit for the year		-	-	40,698	40,698
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	40,698	40,698
Transactions with owners in their capacity as owners:					
Issue of share capital	D1	156,659	-	-	156,659
Share issue costs (net of tax)	D1	(6,766)	-	-	(6,766)
Repayment of management equity plan	D1	2,774	-	-	2,774
Dividends	D1	-	-	(24,088)	(24,088)
Share-based payments	D2	-	158	-	158
As at 30 June 2017		801,830	673	(41,387)	761,116
Profit for the year		-	-	41,154	41,154
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	41,154	41,154
Transactions with owners in their capacity as owners:					
Issue of share capital	D1	-	-	-	-
Share issue costs (net of tax)	D1	-	-	-	-
Repayment of management equity plan	D1	6	-	-	6
Dividends	D1	-	-	(41,175)	(41,175)
Share-based payments	D2	-	463	-	463
As at 30 June 2018		801,836	1,136	(41,408)	761,564

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from residents		141,732	134,574
Receipts from government		403,746	394,681
Payments to suppliers and employees		(442,438)	(431,173)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU entry contributions		103,040	98,082
Interest received		186	483
Finance costs paid		(6,940)	(10,837)
Income taxes paid		(22,307)	(28,595)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		73,979	59,133
RAD, accommodation bond and ILU entry contribution received		269,566	266,396
RAD, accommodation bond and ILU entry contribution refunded		(206,781)	(186,284)
Net cash flows from operating activities	B9	136,764	139,245
Cash flows from investing activities			
Payments for business combinations, net of cash acquired		-	(86,364)
Payments for acquisition transaction costs		-	(6,628)
Payments for intangible assets	C2	(942)	(1,191)
Proceeds from sale of property, plant and equipment		-	46
Proceeds from sale of assets held for sale	C5	4,167	2,542
Purchase of property, plant and equipment	C1	(60,323)	(54,837)
Net cash flows used in investing activities		(57,098)	(146,432)
Cash flows from financing activities			
Proceeds from issue of share capital	D1	-	151,821
Payments for share issue costs	D1	-	(6,766)
Proceeds from repayment of MEP loans	D1	6	2,774
Proceeds from borrowings		65,000	112,557
Repayment of borrowings		(111,514)	(244,543)
Dividends paid	D1	(41,175)	(19,251)
Net cash flows used in financing activities		(87,683)	(3,408)
Net decrease in cash and cash equivalents		(8,017)	(10,595)
Cash and cash equivalents at the beginning of the year		19,215	29,810
Cash and cash equivalents at the end of the year	C3	11,198	19,215

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION A: ABOUT THIS REPORT

A1 CORPORATE INFORMATION

The consolidated financial statements of Estia Health Limited and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 16 August 2018.

Estia Health Limited (the “Company” or the “parent”) is a for-profit company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

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

A2 BASIS OF PREPARATION

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

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

A3 STATEMENT OF COMPLIANCE

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

A4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018 (refer to section E6 for the group structure). Control is achieved when the Group is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A5 CURRENT/NON-CURRENT CLASSIFICATION

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of 30 June 2018. Liabilities are disclosed as current when they are due within 12 months of 30 June 2018 or when there is no unconditional right to defer settlement for at least 12 months after 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION A: ABOUT THIS REPORT (CONTINUED)

A6
GOING CONCERN

The financial report has been prepared on a going concern basis which assumes that the Group will be able to meet its obligations as and when they fall due. The Group's current liabilities exceed current assets by \$846,014,000 as at 30 June 2018 (2017: \$766,352,000). This mainly arises because of the requirement to classify Refundable Accommodation Deposits ("RAD") and Independent Living Unit (ILU) entry contributions of \$792,879,000 (2017: \$731,515,000) as current liabilities.

RADs and Bonds are classified as a current liability as the Company 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 large number of individual residents in different locations with differing circumstances, and often a departing RAD- and Bond-paying resident is replaced shortly afterwards with a new RAD-paying resident. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents, which can be more than ten years but averages approximately 2 - 2.5 years (refer Notes D4 and C9 for further details).

A7
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts and are reviewed on an ongoing basis.

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

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2018 are included in the following notes:

Significant accounting judgements, estimates and assumptions	
Note B7	Income Taxes recognition of deferred tax assets: availability of future taxable profit
Note C2	Intangible assets impairment test: key assumptions underlying recoverable amounts
Note C6	Investment Properties: fair value based on key assumptions underlying the assessment of fair value
Note D2	Share-based payments: measurement of equity-settled transactions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE

B1
REVENUE AND OTHER INCOME

	2018 \$'000	2017 \$'000
Revenues		
Government funding	404,064	388,099
Resident funding	142,870	136,531
Total revenues	546,934	524,630
Other income		
Net gain on disposals of assets held for sale	363	1,036
Increase in fair value of investment property	120	-
Net gain on disposals of property, plant and equipment	-	1
Total other income	483	1,037

 **SIGNIFICANT ACCOUNTING POLICY**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

Revenue from the rendering of services is recognised upon the delivery of the service to the residents.

B2
ADMINISTRATIVE EXPENSES

	2018 \$'000	2017 \$'000
Advertising and marketing expenses	672	496
Telephone and communication expenses	1,797	2,432
Travelling expenses	1,605	2,422
Printing and stationery expenses	2,625	2,383
Professional services expenses	3,065	2,870
Movement in doubtful debts	74	225
Other administrative expenses	6,226	6,162
Total administrative expenses	16,064	16,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B3 DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

	Notes	2018 \$'000	2017 \$'000
Depreciation expense	C1	21,019	17,289
Amortisation expense	C2	1,144	1,116
Impairment expense	C1	3,839	455
Total depreciation, amortisation and impairment expenses		26,002	18,860

B4 EMPLOYEE BENEFITS EXPENSES

	2018 \$'000	2017 \$'000
Salaries and wages expense	303,027	285,617
Superannuation expense	27,837	26,921
Other employee expenses	29,352	26,977
Total employee benefits expenses	360,216	339,515

B5 OCCUPANCY EXPENSES

	2018 \$'000	2017 \$'000
Rent expense	5,703	5,662
Repairs and maintenance expense	8,509	8,954
Other occupancy expenses	15,386	13,911
Total occupancy expenses	29,598	28,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B6 NET FINANCE COSTS

	2018 \$'000	2017 \$'000
Interest income from cash at banks	186	483
Total finance income	186	483
Interest expense on bank loans	2,298	7,046
Interest capitalised ¹	(338)	(479)
Interest expense on accommodation bonds for departed residents	3,257	2,675
Other finance costs	2,248	864
Total finance costs	7,465	10,106
Net finance costs	7,279	9,623

¹ Interest directly attributable to the construction of homes has been capitalised to construction in progress at a weighted average rate of 2.99% (2017: 3.20%). Assets have been funded through general borrowings and the capitalisation rate represents the average cost of interest on such borrowings.

SIGNIFICANT ACCOUNTING POLICY

Interest income

Revenue is recognised when the Group controls the right to receive the interest payment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B7 INCOME TAX

	2018 \$'000	2017 \$'000
<i>Current income tax</i>		
Current income tax expense	17,314	16,415
Adjustments in respect of income tax of previous year	(788)	895
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(190)	968
Adjustments in respect of income tax of previous year	(325)	78
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	16,011	18,356

Reconciliation of income tax expense and the accounting profit:

	2018 \$'000	2017 \$'000
Accounting profit before income tax	57,165	59,054
At the Australian statutory income tax rate of 30% (2017: 30%)	17,150	17,716
Adjustments in respect of income tax of previous year	(1,113)	973
Non-taxable income	(143)	-
Utilisation of unrecognised tax losses	-	(407)
Estimated future taxable gains on assets held for sale	-	428
Recognition of tax on bed licences	89	-
Expenditure not allowable for income tax purposes	-	-
- Acquisition related costs for current year business combinations	-	(383)
- Other expenditure	28	29
Income tax expense	16,011	18,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B7 INCOME TAX (CONTINUED)

	Consolidated statement of profit or loss and other comprehensive income		Consolidated statement of financial position	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accelerated depreciation	1,223	314	(60,851)	(62,027)
IPO transaction fees	(2,059)	(2,034)	2,075	4,118
Other	(496)	(711)	(641)	(711)
Assets held for sale	(119)	(291)	17	(291)
Bed licences	(89)	-	(64,571)	(64,482)
Share-based payments	139	48	341	202
Provisions and accruals	1,627	1,706	16,056	14,426
Investment properties	(36)	-	(36)	-
Deferred tax expense	190	(968)		
Deferred tax assets/(liabilities), net			(107,610)	(108,765)
Reflected in the statement of financial position as follows				
Deferred tax assets			18,665	19,303
Deferred tax liabilities			(126,275)	(128,068)
Deferred tax assets/(liabilities), net			(107,610)	(108,765)

Reconciliation of deferred tax liabilities, net:

	\$'000
Balance at 1 July 2016	(94,117)
Tax expense during the year recognised in profit or loss	(968)
Adjustments in respect of income tax of previous year	(905)
Net deferred taxes arising from business combinations	(12,775)
Balance at 30 June 2017	(108,765)
Tax income during the year recognised in profit or loss	190
Adjustments in respect of income tax of previous year	965
As at 30 June 2018	(107,610)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
INCOME TAX (CONTINUED)

 SIGNIFICANT ACCOUNTING POLICY

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Estia Health Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 19 June 2013.

The head entity, Estia Health Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Estia Health Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
INCOME TAX (CONTINUED)

 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

B8
EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential original shares into ordinary shares.

	2018 \$'000	2017 \$'000
Profit attributable to ordinary equity holders of the Parent for basic earnings	41,561	40,698
Effect of dilution	-	-
Profit attributable to ordinary equity holders of the Parent for dilutive earnings	41,561	40,698

	2018	2017
Weighted average number of ordinary shares for basic EPS	260,580,283	223,894,931
Effect of dilution	791,893	1,825,760
Weighted average number of ordinary shares for the effect of dilution	261,372,176	225,720,691

	2018 cents	2017 cents
Basic earnings per share	15.8	18.2
Diluted earnings per share	15.7	18.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION B: OUR PERFORMANCE (CONTINUED)

B9

CASH FLOW RECONCILIATION

	2018 \$'000	2017 \$'000
(a) Reconciliation of net profit after income tax to net cash flows from operations		
Profit for the year	41,154	40,698
Adjustments to reconcile profit after income tax to net cash flows:		
Depreciation of property, plant and equipment	21,019	17,289
Amortisation of intangibles	1,144	1,116
Impairment of property, plant and equipment	3,839	455
Net gain on disposal of property, plant and equipment	-	(1)
Net gain on sale of assets held for sale	(363)	(1,036)
Bond retention revenue	(1,499)	(2,549)
Movement in doubtful debts provision	74	225
Share-based payments	463	158
Stepped lease costs	134	149
Net gain on fair value of investment properties	(120)	-
Changes in assets and liabilities		
Decrease in trade and other receivables	809	5,422
Increase in prepayments and other assets	(1,541)	(361)
Decrease in deferred tax assets	638	1,059
(Decrease)/Increase in deferred tax liabilities	(1,793)	814
Decrease in current tax payable	(5,141)	(12,111)
Increase in trade and other payables	11,631	4,965
Increase in provisions	3,531	2,841
Increase in refundable accommodation deposits and bonds	62,785	80,112
Net cash flows from operating activities	136,764	139,245

SIGNIFICANT ACCOUNTING POLICY

Operating cash flow

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

	2017 \$'000	Net cash flows \$'000	2018 \$'000
(b) Reconciliation of liabilities arising from financing activities			
Current loans and borrowings	264	(264)	-
Non-current loans and borrowings	121,250	(46,250)	75,000
Total liabilities from financing activities	121,514	(46,514)	75,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES

C1

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Note	Land \$'000	Buildings \$'000	Property improvements \$'000	Furniture, fixtures & equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost								
Balance at 1 July 2016		204,393	446,721	28,502	38,952	957	11,865	731,390
Adjustments relating to prior period acquisitions		(13,605)	-	-	-	-	(7,265)	(20,870)
Additions		6,464	-	3,660	9,816	-	34,897	54,837
Transfers		-	-	4,037	462	-	(4,499)	-
Transfers to assets held for sale		(3,811)	(234)	-	-	-	-	(4,045)
Disposals		-	-	-	-	(57)	-	(57)
Balance at 30 June 2017		193,441	446,487	36,199	49,230	900	34,998	761,255
Additions		2,187	-	2,259	11,212	45	44,620	60,323
Transfers		-	38,247	11,091	8,588	-	(57,926)	-
Transfers to assets held for sale		(2,415)	-	-	-	-	-	(2,415)
Disposals		-	-	-	-	-	-	-
Asset derecognition		-	(3,000)	(195)	(720)	-	(397)	(4,312)
Balance at 30 June 2018		193,213	481,734	49,354	68,310	945	21,295	814,851
Accumulated depreciation								
Balance at 1 July 2016		-	10,803	289	8,552	330	-	19,974
Depreciation expense	B3	-	8,453	730	7,870	236	-	17,289
Impairment expense	B3	455	-	-	-	-	-	455
Disposals		-	-	-	-	(12)	-	(12)
Balance at 30 June 2017		455	19,256	1,019	16,422	554	-	37,706
Depreciation expense	B3	-	9,756	1,164	9,865	234	-	21,019
Impairment expense	B3	58	2,820	185	379	-	397	3,839
Disposals		(513)	(3,000)	(194)	(719)	-	(397)	(4,823)
Balance at 30 June 2018		-	28,832	2,174	25,947	788	-	57,741
Net book value								
As at 30 June 2017		192,986	427,231	35,180	32,808	346	34,998	723,549
As at 30 June 2018		193,213	452,902	47,180	42,363	157	21,295	757,110

An impairment expense of \$3,839,000 was recognised in the year, of which \$3,378,000 relates to the demolition of the Southport home in December 2017 and the closure of the Blakehurst home in March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C1

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

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

Property, plant and equipment transferred from vendors are initially measured at fair value at the date on which control is obtained.

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

Buildings and property improvements	50 years
Furniture, fittings and equipment	4 - 15 years
Motor vehicles	4 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2

INTANGIBLE ASSETS

	Note	Goodwill \$'000	Bed licences \$'000	Software costs \$'000	Total \$'000
Cost					
Balance at 1 July 2016		779,797	214,940	5,192	999,929
Additions		-	-	1,191	1,191
Adjustments relating to prior period acquisitions		37,277	-	-	37,277
Balance at 30 June 2017		817,074	214,940	6,383	1,038,397
Additions		-	296	646	942
Balance at 30 June 2018		817,074	215,236	7,029	1,039,339
Accumulated amortisation					
Balance at 1 July 2016		-	-	1,291	1,291
Amortisation expense		-	-	1,116	1,116
Impairment		-	-	-	-
Balance at 30 June 2017		-	-	2,407	2,407
Amortisation expense	B3	-	-	1,144	1,144
Impairment	B3	-	-	-	-
Balance at 30 June 2018		-	-	3,551	3,551
Net book value					
As at 30 June 2017		817,074	214,940	3,976	1,035,990
As at 30 June 2018		817,074	215,236	3,478	1,035,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
INTANGIBLE ASSETS (CONTINUED)

 SIGNIFICANT ACCOUNTING POLICY

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

Bed licences

Bed licences for the Group's aged care homes are initially carried at historical cost or if acquired in a business combination, at fair value at the date of acquisition in accordance with AASB 3 Business Combinations. Following initial recognition, the licenses are not amortised but are measured at cost less any accumulated impairment losses. Bed licences are tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired. Testing is performed in line with the procedures noted below in Goodwill.

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

Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
INTANGIBLE ASSETS (CONTINUED)

 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Goodwill and bed licenses acquired through business combinations were tested for impairment at the reporting date. The recoverable amount of the CGU was assessed by reference to the CGU's value in use based on financial forecasts approved by the Board covering a three year period (2019 to 2021), a further period of 2 years based on a growth rate and a terminal value.

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

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

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

	2018 %	2017 %
Post-tax discount rate	9.5	9.5
Pre-tax discount rate	11.8	11.8
Growth rate	2.6	2.6
Terminal growth rate	2.1	2.1

C3
CASH AND CASH EQUIVALENTS

	2018 \$'000	2017 \$'000
Cash at bank	11,123	19,141
Cash on hand	75	74
Total cash and cash equivalents	11,198	19,215

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

At 30 June 2018, the Group had available \$251,200,000 (2017: \$205,250,000) of undrawn committed borrowing facilities, excluding the security deposit guarantees disclosed in Note E2. Refer to Note D3 for further details.

 SIGNIFICANT ACCOUNTING POLICY

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4 TRADE AND OTHER RECEIVABLES

	2018 \$'000	2017 \$'000
Trade receivables	7,030	7,431
Other receivables	2,455	2,928
Total trade and other receivables	9,485	10,359

Allowance for impairment loss

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. As at 30 June 2018, trade receivables of an initial value of \$1,509,000 (2017: \$1,435,000) were impaired and fully provided for. The movements in the allowance for impairment loss was as follows:

	2018 \$'000	2017 \$'000
At 1 July	1,435	1,210
Charge for the year	1,376	540
Utilised	(927)	-
Unused amounts reversed	(375)	(315)
At 30 June	1,509	1,435

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total (\$'000)	Neither past due nor impaired (\$'000)	Past due but not impaired				Past due and impaired (\$'000)
			<30 days (\$'000)	30-60 days (\$'000)	61-90 days (\$'000)	> 90 days (\$'000)	
2018	8,539	3,281	1,159	674	508	1,408	1,509
2017	8,866	2,833	1,229	669	607	2,093	1,435

See Note D5 on credit risk which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Terms and conditions and allowances for impairment loss

- Trade debtors are non-interest bearing and generally on 30 day terms.
- Sundry debtors and other receivables are non-interest bearing.

SIGNIFICANT ACCOUNTING POLICY

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C5 ASSETS HELD FOR SALE

	2018 \$'000	2017 \$'000
Assets held for sale	902	2,561
Total assets held for sale	902	2,561

During the year, the Group identified a number of properties that were surplus to requirements. Five properties were sold during the year for a total of \$4,167,100, which resulted in a gain of \$362,733 and has been included in other income (see Note B1). The remaining property is expected to be sold within 12 months of reporting date.

As part of the reclassification, an impairment expense of \$57,821 was recognised during the year for write-downs of certain assets to the lower of their carrying amount and their fair value less costs to sell.

SIGNIFICANT ACCOUNTING POLICY

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

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

C6 INVESTMENT PROPERTIES

	2018 \$'000	2017 \$'000
Balance at beginning of period	1,500	1,500
Transfer from property, plant and equipment	-	-
Fair value adjustments	120	-
Total investment properties	1,620	1,500

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

SIGNIFICANT ACCOUNTING POLICY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6

INVESTMENT PROPERTIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The fair value of investment properties of \$1,620,000.00 (2017: \$1,500,000.00) has been categorised as Level 2 based on the inputs to the valuation technique used (see Note D6).

C7

TRADE AND OTHER PAYABLES

	2018 \$'000	2017 \$'000
Current trade and other payables		
Trade creditors	14,734	9,760
Payroll liabilities	13,290	11,174
Sundry creditors and accruals	12,675	7,921
Total current trade and other payables	40,699	28,855
Non-current other payables		
Sundry creditors and accruals	61	115
Total non-current other payables	61	115
Total trade and other payables	40,760	28,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C8

PROVISIONS

	2018 \$'000	2017 \$'000
Current provisions		
Employee benefits	40,944	38,165
Stepped lease provision	849	715
Make good provision	-	75
Total current provisions	41,793	38,955
Non-current provisions		
Employee benefits	4,269	3,441
Total non-current provisions	4,269	3,441
Total provisions	46,062	42,396

SIGNIFICANT ACCOUNTING POLICY

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries, and sick leave

Liabilities for wages and salaries, including leave entitlements and other non-monetary benefits acquired through business combinations are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The liability for long service leave and annual leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C8

PROVISIONS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

Contingent liabilities recognised in a business combination

Any contingent consideration to be transferred in a business combination is recognised at fair value at the acquisition date. Contingent consideration classified as a liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss.

C9

OTHER FINANCIAL LIABILITIES

	2018 \$'000	2017 \$'000
Independent living unit (ILU) entry contributions	1,371	1,293
Total other financial liabilities	1,371	1,293

Terms and conditions relating to independent living units (ILUs)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D1

SHARE CAPITAL AND RESERVES

	2018 \$'000	2017 \$'000
Issued and fully paid		
Ordinary shares	801,836	801,830
Total share capital	801,836	801,830

(a) Movements in ordinary shares on issue

	2018		2017	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year	260,602,749	801,830	188,183,920	649,163
Share issue – Other	-	-	5,494,506	15,000
Share issue – Institutional Rights Issue	-	-	33,284,751	69,898
Share issue – Retail Rights Issue	-	-	31,868,345	66,924
Share issue – DRP	-	-	1,771,227	4,837
Transaction costs for issued share capital	-	-	-	(6,766)
Movement in management equity plan	-	6	-	2,774
End of the financial year	260,602,749	801,836	260,602,749	801,830

(b) Share-based payments reserve

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

(c) Franking credits

The franking credit balance of Estia Health Limited for the year ended 30 June 2018 is \$25,855,432 (2017: \$21,194,715).

(d) Dividends paid and proposed

The final dividend for the year ended 30 June 2017 of \$20,848,220 (8.0 cents per share) was paid on 29 September 2017. The interim dividend for the year ended 30 June 2018 of \$20,327,014 (7.8 cents per share) (2017: \$nil) was paid on 23 March 2018.

The Directors propose a fully franked final cash dividend for the year ended 30 June 2018 of 8.0 cents per share totalling \$20,848,220. Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability at 30 June 2018.

(e) Dividend reinvestment plan

The Dividend Reinvestment Plan was not applicable for the final dividend paid on 29 September 2017 or the interim dividend paid on 23 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

D2 SHARE-BASED PAYMENTS

At 30 June 2018, the Group had the following share-based payments arrangements:

(a) Long-Term Incentive Plan (LTIP)

Under the LTIP, awards are made to executives and other key talent who have an impact on the Group's performance. LTIP awards are delivered in the form of performance rights providing the holder of these rights with options over shares which vest over a period of three years subject to meeting performance measures. The Group uses relative Total Shareholder Return ("TSR") and Earnings Per Share as performance measures for the LTIP.

During the year, a number of LTIP performance rights were awarded to the Group's key management personnel. Further details can be found in section 9 of the Remuneration Report.

(b) 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. All MEP offers were made prior to listing and no new MEP offers were made in FY18 or will be made going forward.

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

The following table details the MEP loans outstanding at 30 June 2018:

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

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

(c) Movements during the year

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

	2018		2017	
	Number	WAEP	Number	WAEP
Outstanding at 1 July	574,238	0.17	1,024,757	5.08
Granted during the year	476,980	-	515,819	-
Forfeited during the year	-	-	(869,565)	5.75
Exercised during the year	-	-	(62,500)	1.66
Expired during the year	(93,534)	-	(34,273)	-
Outstanding at 30 June	957,684	0.10	574,238	0.17
Exercisable at 30 June	50,000	2.00	50,000	2.00

The weighted average remaining contractual life for the MEP shares and performance rights outstanding as at 30 June 2018 was approximately 1.86 years.

The exercise price for MEPs outstanding at the end of the year was \$2.00.

The weighted average fair value of performance rights granted during the year was \$1.39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

D2 SHARE-BASED PAYMENTS (CONTINUED)

(d) Expense recognised in profit or loss

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

	2018 \$'000	2017 \$'000
Long-term incentive plan	451	239
Management equity plan	12	(81)
Share-based payments expense recognised in profit or loss	463	158

SIGNIFICANT ACCOUNTING POLICY

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D2
SHARE-BASED PAYMENTS (CONTINUED)

 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

LTIP-Recognition and measurement of fair value

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

MEP-Recognition and measurement of fair value

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D3
LOANS AND BORROWINGS

	2018 \$'000	2017 \$'000
Current loans and borrowings		
Other borrowings, unsecured	-	264
Total current loans and borrowings	-	264
Non-current loans and borrowings		
Bank loans, secured	75,000	121,250
Total non-current loans and borrowings	75,000	121,250
Total loans and borrowings	75,000	121,514

Terms and conditions of loans

The Facility may be used for general corporate purposes including funding acquisitions, capital expenditure, working capital requirements and bond liquidity to redeem refundable accommodation deposits.

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

The total debt facility available to Estia at 30 June 2018 was \$330,000,000. During the year, the Group renewed this debt facility with its existing lenders Westpac and CBA in full with a maturity date of 22 August 2020.

 SIGNIFICANT ACCOUNTING POLICY

Borrowings are recognised initially at fair value net of directly attributable transaction costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

D4

REFUNDABLE ACCOMMODATION DEPOSITS AND BONDS

	2018 \$'000	2017 \$'000
Current residents	697,227	654,193
Departed residents	94,281	76,029
Total refundable accommodation deposits and bonds - amounts received	791,508	730,222

Terms and conditions relating to refundable accommodation deposits (RADs) and accommodation bonds (Bonds)

The RADs and Bonds are paid by residents upon their admission to homes and are refunded after a resident vacates the premises in accordance with the Aged Care Act 1997. Providers must pay a base interest rate on all refunds of RADs and Bonds within legislated time frames and must pay a higher rate on refunds that are not made within legislated time frames. Accommodation bond balances held prior to 1 July 2014 are reduced by annual retention fees charged in accordance with the Aged Care Act 1997.

RAD and Bond refunds are guaranteed by the Government under the Accommodation Payment Guarantee Scheme. Providers are required to maintain sufficient liquidity to ensure that they can refund all amounts as they fall due. As required under legislation, the Group maintains a liquidity management policy, which is monitored on regular basis and a full review is undertaken on an annual basis as a minimum, to ensure it has sufficient liquidity to meet its RAD and Bond refund and other financial obligations.

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

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

D5

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities consist of interest-bearing loans and borrowings, trade and other payables and refundable accommodation deposits. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

D5

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

The sensitivity analyses in the following sections relate to the position as at 30 June 2018 and 30 June 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt are all constant at 30 June 2018 and 30 June 2017.

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

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2018 and 30 June 2017.

Interest rate risk

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

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

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

	Weighted average effective interest rates		Fixed or Floating
	2018 %	2017 %	
Cash and liquid assets	1.4	1.3	Floating
Bank loans	3.1	2.9	Floating
Refundable accommodation deposits – departed residents	3.8	3.8	Floating

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

Interest rate sensitivity

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

	Effect on profit before tax Higher/(lower)		Effect on equity Higher/(lower)	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
+ 0.25% (25 basis points)	(112)	(312)	(112)	(312)
- 0.25% (25 basis points)	112	312	112	312

Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

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

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

An impairment analysis is performed at each reporting date on an individual basis for each resident and other major debtors. The ability of residents and other debtors to pay their debts is based on payment history including amounts on deposit through an accommodation bond for residents and other debtor specific circumstances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. There is no concentration of credit risk with respect to trade receivables.

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

Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	On demand	Less than 12 months	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2018					
Trade and other payables	1,195	39,341	61	-	40,597
Loans and borrowings	-	163	75,000	-	75,163
Refundable accommodation deposits and bonds	791,508	-	-	-	791,508
Other financial liabilities	1,371	-	-	-	1,371
	794,074	39,504	75,061	-	908,639
Year ended 30 June 2017					
Trade and other payables	879	27,547	115	-	28,541
Loans and borrowings	-	693	121,250	-	121,943
Refundable accommodation deposits and bonds	730,222	-	-	-	730,222
Other financial liabilities	1,293	-	-	-	1,293
	732,394	28,240	121,365	-	881,999

Capital management

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

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

No changes were made in the objectives, policies or processes for managing capital during the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D6
FAIR VALUE MEASUREMENT

The Group uses various methods in estimating the fair value of its financial assets and liabilities which are categorised within the fair value hierarchy. The hierarchy comprises:

Level 2 - the fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The loans and borrowings and refundable accommodation deposits fall within the Level 2 method of determining fair value.

The fair value of the Group's interest-bearing borrowings and loans are determined by using the Discounted Cash Flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

	Date of Valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		\$'000	\$'000	\$'000	\$'000
Investment properties	30 June 2018	1,620	-	1,620	-
Loans and borrowings	30 June 2018	75,000	-	75,000	-
Refundable accommodation deposits and bonds	30 June 2018	791,508	-	791,508	-
Other financial liabilities	30 June 2018	1,371	-	1,371	-
		869,499	-	869,499	-

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.

Due to the frequency of residents entering and departing from a unit the fair value of each unit within a retirement village under a loan licence agreement is based upon the most recent loan received for a similar unit.

There were no transfers between levels during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

D6
FAIR VALUE MEASUREMENT (CONTINUED)

 SIGNIFICANT ACCOUNTING POLICY

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION

E1
RELATED PARTY DISCLOSURES

Note E6 provides the information about the Group's structure including the details of the subsidiaries and the holding company. Note D2 provides the information about the loans to related parties. There were no other transactions and outstanding balances that have been entered into with related parties for the relevant financial year.

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

	2018 \$'000	2017 \$'000
Short-term employee benefits	1,538	2,085
Post-employment benefits	62	163
Short-term incentive payments	122	-
Share-based payments	392	239
Termination payments	155	206
Total compensation of key management personnel	2,269	2,693

E2
COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

During the year, the Group had commercial property leases for the Corporate Office, one interstate administration office and seven aged care homes.

The remaining non-cancellable leases have remaining terms of between 1 and 18 years.

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

	2018 \$'000	2017 \$'000
Within one year	5,368	4,723
After one year but not more than five years	14,986	14,742
More than five years	7,111	8,001
Total operating lease commitments	27,465	27,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E2
COMMITMENTS AND CONTINGENCIES (CONTINUED)

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2018 Minimum payments \$'000	Present value of payments \$'000	2017 Minimum payments \$'000	Present value of payments \$'000
Within one year	56	56	149	149
After one year but not more than five years	61	61	115	115
More than five years	-	-	-	-
Total finance lease commitments	117	117	264	264

 SIGNIFICANT ACCOUNTING POLICY

Leases

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

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

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

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

Capital commitments

During the year, the Group entered into contracts relating to the development of aged care homes. As at 30 June 2018, the remaining capital commitments amounted to \$54,300,000 (2017: \$9,500,000).

Security deposit guarantees

The Group has entered into a number of security deposit guarantees with its bankers in relation to the Group's rental agreements for leased properties, totalling \$3,800,000 (2017: \$3,500,000). These are secured against the borrowing facilities disclosed in Note D3. As at the date of signing this report, the Directors are not aware of any situations that have arisen that would require these security deposit guarantees to be presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E3
AUDITOR REMUNERATION

	2018 \$'000	2017 \$'000
Audit of the financial report	560	555
Tax compliance services	170	176
Other assurance services	10	-
Other services	13	286
Total auditor remuneration	753	1,017

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

E4
SUBSEQUENT EVENTS

Subsequent to 30 June 2018, the Group has repaid a total of \$30,000,000 of bank debt.

On 15 August 2018, the Directors resolved to pay a final fully franked dividend of 8.0 cents per share (\$20,848,220) payable on 28 September 2018.

Subsequent to 30 June 2018, the Group announced the execution of a key element of its management succession that Deputy CEO and COO Ian Thorley would succeed Norah Barlow as Managing Director and CEO in November 2018, following a period of transition. This succession was accompanied by the announcement that experienced aged care executive, Sean Bilton, will join the Group in late 2018 to succeed Ian Thorley as the Group's Deputy CEO and COO.

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

E5
SEGMENT REPORTING

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E6
INFORMATION RELATING TO SUBSIDIARIES

The consolidated financial statements of the Group include:

Name	Country of Incorporation	% Equity Interest	
		2018	2017
Estia Finance Pty Ltd ²	Australia	100%	100%
Estia Investments Pty Ltd ^{3, 5}	Australia	100%	100%
Estia Mezzco Pty Ltd ¹	Australia	100%	100%
Estia Midco Pty Ltd ¹	Australia	100%	100%
Spirytus Pty Ltd ^{4, 5}	Australia	100%	100%
Jaid Residential Services Pty Ltd ^{4, 5}	Australia	100%	100%
TGM Care Pty Ltd ATF the TGM Care Unit Trust ^{1, 5}	Australia	100%	100%
East Coast Senior Care Pty Ltd ^{4, 5}	Australia	100%	100%
William Kennedy Holdings Pty Ltd ^{1, 5}	Australia	100%	100%
Wollongong Nursing Home Pty Ltd ^{4, 5}	Australia	100%	100%
Kenna Investments Pty Ltd ^{4, 5}	Australia	100%	100%
Ranesta Holdings Pty Ltd ⁵	Australia	100%	100%
Hayville Pty Ltd ⁵	Australia	100%	100%
Eddystone Nursing Home Pty Ltd ⁶	Australia	100%	100%
Merrylands Nursing Home Pty Ltd ⁵	Australia	100%	100%
Kennedy Health Care Group Pty Ltd ⁵	Australia	100%	100%
Camden Village Pty Ltd ⁵	Australia	100%	100%
Camden Nursing Home Pty Ltd ⁶	Australia	100%	100%
Camden House Pty Ltd ⁵	Australia	100%	100%
Kilbride Village Pty Ltd ⁵	Australia	100%	100%
Bankstown Aged Care Facility Pty Ltd ⁶	Australia	100%	100%

Principal activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E7 PARENT ENTITY INFORMATION

	2018 \$'000	2017 \$'000
<i>Information relating to Estia Health Limited</i>		
Current assets	675,197	677,766
Non-current assets	174,802	176,706
Total assets	849,999	854,472
Current liabilities	-	4,227
Non-current liabilities	22,841	18,697
Total liabilities	22,841	22,924
Net assets	827,158	831,548
Issued capital	801,836	801,830
Reserves	1,136	673
Retained earnings	24,186	29,045
Total shareholders' equity	827,158	831,548
Profit of the parent company	36,316	34,812
Total comprehensive income of the parent entity	36,316	34,812

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

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

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

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

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

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

The Closed Group includes all entities listed in Note E6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E8 TREATMENT OF GST

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

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, are classified as part of operating cash flows.

E9 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policy, disclosures, standards and interpretations

New and amended standards and interpretations

The Group has adopted the following new or amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017:

- AASB 2016-1: Amendments to AASB 112 - Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2: Amendments to AASB 107 - Disclosure Initiative; and
- AASB 2017-2: Amendments to Australian Accounting Standards - Further Annual Improvements 2012-2014 Cycle.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2018, are outlined in the following table:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E9

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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

REFERENCE	TITLE	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard addresses the classification and measurement of financial assets and liabilities, including amendments to the requirements for hedge accounting. The Group expects that the main impact of the introduction of the new standard will derive from the incurred credit loss model in AASB 139 being replaced with an expected credit loss model in AASB 9. Whilst the impact of the application of AASB 9 is currently being assessed, the expectation is under the transitional provisions that any initial adjustment required to the provision for doubtful debts will be adjusted to retained earnings. The Group has not early adopted the standard.	1 January 2018	1 July 2018
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The Group provides a range of services to residents related to their care, accommodation and provision of additional services on a daily basis. Based on an assessment of the key contractual arrangements, the Group has evaluated that the impact from the application of AASB 15, is not expected to have a material impact on the recognition of revenue once adopted, other than arrangements referred to below in relation to Leases. The Group has not early adopted the standard.	1 January 2018	1 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E9

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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

REFERENCE	TITLE	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2016-5	Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	This standard amends to AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on accounting for: • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled The Group does not have cash-settled share-based payments and therefore do not expect any material impact. The Group has not early adopted the standard.	1 January 2018	1 July 2018
AASB 2017-1	Amendments to Australian Accounting Standards - Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: • AASB 140 Investment Property - change in use. The application of the new standard clarifies when a change in use occurs and is not expected to have a material impact on the Group. The Group has not early adopted the standard.	1 January 2018	1 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective (continued)				
REFERENCE	TITLE	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2018-1	Annual Improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: • AASB 3 Business Combinations • AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity • AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation. The Group is in the process of evaluating the impact of the new standard with no material impact expected. The Group does not plan to early adopt the standard.	1 January 2019	1 July 2019
AASB Interpretation 23, and relevant standards	Uncertainty over Income Tax Treatments	The interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances The Group is in the process of evaluating the impact of the new standard with no material impact expected. The Group does not plan to early adopt the standard.	1 January 2019	1 July 2019
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. AASB 16 addresses the classification, recognition, measurement and disclosure requirements for both lessees and lessors.	1 January 2019	1 July 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective (continued)				
REFERENCE	TITLE	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 16 (continued)	Leases (continued)	The Group is currently in the process of evaluating the full impact from the application of AASB 16 in relation to the following: a) leasehold properties under which it is a lessee; and b) arrangements that provide a resident with rights to occupy a room. As a lessee, the Group currently has seven aged care homes and two offices that are subject to operating leases. It is expected that adopting AASB16 will result in the recognition of these leasehold properties on the balance sheet with adjustments to the recognition of rent expense and depreciation and interest. The impact is being assessed. For arrangements that provide a resident with the rights to occupy a room, the Group has performed a detailed assessment of the contractual arrangements and has provisionally determined that adopting AASB16 will result in the conclusion that the arrangements will generally be defined as a lease for accounting purposes. Where residents have opted to pay a Daily Accommodation Fee, adopting AASB16 is not expected to result in a material change in the accounting treatment. However, for residents that have chosen to pay a Refundable Accommodation Deposit ("RAD") or Bond, the application of AASB 16 would regard there being a reduction in, or no, cash charge for accommodation. The accounting treatment for the non-cash consideration component of this arrangement is expected to change on the adoption of AASB 16 and is expected to result in the recognition of an increase in revenue for accommodation and an increase in interest expense on the outstanding RAD liability, with no net impact on the result for the period. As an illustration of the potential impact, had AASB 16 been applied to the current year, approximately \$37-40 million would have been recorded as an increase in revenue, with a corresponding charge to net finance costs. Overall, there would be a net nil impact to profit for the year. The Group does not plan to early adopt the standard.	1 January 2019	1 July 2019

DIRECTORS' DECLARATION

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

1. in the opinion of the directors:
  - (a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note A3; and
  - (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
  - (d) there are reasonable grounds to believe that the Company and the controlled entities identified in Note E6 of the financial statements will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Board



Dr. Gary Weiss
Chairman

16 August 2018



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Estia Health Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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Carrying value of goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2018 the Group's goodwill, bed licences and other intangible assets balance was \$1.036 million which represents 57% of total assets. The Group reviews the carrying amount of these non-current assets annually, or more frequently, if impairment indicators are present. Before estimating the recoverable amount of the assets, the Group first identifies cash generating units ('CGU') and then allocates the goodwill and intangible assets to the identified CGUs. The Group has used a discounted cash flow model to estimate the recoverable amount of the assets. The impairment test was significant to our audit because the process to estimate recoverable amount is complex and requires significant judgment. The Group has disclosed in note C2 to the consolidated financial report the assessment method, including the main underlying assumptions, the results of the assessment as well as the impact of applying sensitivities.	We assessed the appropriateness of the identification of CGUs and the allocation of assets to the CGUs. Involving our valuation specialists, we assessed the key assumptions underlying the discounted cash flow valuation. In doing so, we: ▶ Tested the mathematical accuracy of the discounted cash flow model; ▶ Assessed key assumptions such as Board approved forecast cash flows, including working capital levels and cash flows related to refundable accommodation deposits; ▶ Assessed the Group's current year actual results in comparison to prior year forecasts to assess forecast accuracy; ▶ Assessed the Group's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts; ▶ Assessed estimates of capital expenditure; ▶ Assessed the discount rates through comparing the weighted average cost of capital for the Group with comparable businesses; and ▶ Considered earnings multiples of comparable businesses as a valuation cross check to the Group's determination of recoverable amount. We performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the fair value of the CGUs and we assessed the likelihood of these changes in assumptions arising. We assessed the adequacy of the Group's disclosures of the key assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill, bed licences and other intangible assets.

Construction in Progress

Why significant	How our audit addressed the key audit matter
Costs incurred during the year that were capitalised to Construction in Progress amounted to \$44.6 million. This represents costs of development projects and significant refurbishments of existing aged care facilities. The specific criteria to be met for capitalisation of development costs in accordance with Australian Accounting Standards involves judgment, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgment and the use of assumptions which are affected by future market conditions or economic developments. This was considered a key audit matter given the quantum of the balance and judgment required about capitalisation criteria and indicators of impairment. The Group has disclosed in Note C1 to the consolidated financial report the capitalisation policy.	Our audit procedures included the following: ▶ Agreed a sample of additions to supporting evidence and assessed whether the amounts capitalised were appropriate. ▶ Evaluated key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, the stage of the projects in the development phase and the measurement and completeness of costs included. ▶ Ensured that assets were transferred to appropriate asset categories when ready for use on a timely basis and that appropriate depreciation or amortisation rates were applied. We considered whether there were any indicators of impairment present after examining the business case documentation of development projects, enquiries of executives responsible for management of the projects and considering the cost of development to forecasts.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 50 to 67 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Estia Health Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

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

Ernst & Young

Ernst & Young

Rodney Piltz

Rodney Piltz
Partner
Melbourne
16 August 2018

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Ellen, Client Services Officer.
Focused on the delivery of an exceptional experience for our residents and their families.

DIRECTORY OF ESTIA HOMES

For all new Resident Enquiries call 1300 682 833

NEW SOUTH WALES		
Albury	289 Elizabeth Mitchell Drive, Thurgoona, 2640	02 6057 4100
Bankstown	74 Chiswick Road, Greenacre, 2190	02 8709 9200
Bexley	3-5 Eddystone Road, 2207	02 8318 1100
Camden	82 Old Hume Highway, 2570	02 4655 2531
Dalmeny	25-29 Noble Parade, 2546	02 4476 8744
Epping	64-66 Norfolk Road, 2121	02 9877 4300
Figtree	12 Suttor Place, 2525	02 4271 6855
Forster	105 Southern Parkway, 2428	02 6555 5699
Kilbride	70 Glendower Street, Rosemeadow, 2560	02 4633 1100
Kogarah	74-76 Rocky Point Road, 2217	02 9053 1800
Manly Vale	5-13 King Street, 2093	02 9951 0400
Merrylands	42 Cumberland Road, Greystanes, 2145	02 9631 1837
Mona Vale	50 Golf Avenue, 2103	02 9997 5986
Ryde	94 Bowden Street, 2112	02 9809 3068
Taree	424 Wingham Road, 2430	02 6539 3700
Tea Gardens	42 Spinifex Avenue, 2324	02 4919 7000
Tuncurry	4 Bonventi Close, 2428	02 6554 7522
Willoughby	202 Mowbray Road, 2068	02 9958 8290
SOUTH AUSTRALIA		
Aberfoyle Park	39 Campus Drive, 5159	08 8370 5766
Aldgate	4 Gibb Road, 5154	08 8370 9311
Burton	367-379 Waterloo Corner Road, 5110	08 8280 2800
Craigmore	150 Adams Road, 5114	08 8256 8800
Daw Park	7 Lancelot Drive, 5041	08 8397 2100
Encounter Bay	150 Bay Road, 5211	08 8552 5100
Flagstaff Hill	40 Skyline Drive, 5159	08 8296 3456
Golden Grove	27-31 Capt Robertson Avenue, 5125	08 8251 9600
Hope Valley	1099 Grand Junction Road, 5090	08 8396 3167
Kadina	8 Mine Street, 5554	08 8821 2233
Kensington Gardens	421 The Parade, 5068	08 8331 8098
Lockleys	8 Mellor Avenue, 5032	08 8128 8888
Parkside	17 Robsart Street, 5063	08 8271 5679
Salisbury	7 Salisbury Highway, 5108	08 8182 6477
Salisbury East	8 Oakmont Court, 5109	08 8285 4600
Strathalbyn	7 Langhorne Creek, 5255	08 8536 3422
Toorak Gardens	401 Portrush Road, 5065	08 8431 5399

QUEENSLAND		
Albany Creek	55 Faheys Road West, 4035	07 3264 4850
Gold Coast	34 Scarborough Street, Southport, 4215	07 5551 0307
Mount Coolum	15 Suncoast Beach Drive, 4573	07 5343 0200
Mudgeeraba	21-25 Old Coach Road, 4213	07 5565 0900
Nambour	27 Glenbrook Drive, 4560	07 5459 3600
Twin Waters	190 Ocean Drive, 4564	07 5646 4120

VICTORIA		
Altona Meadows	297 Queen Street, 3028	03 9369 4568
Ardeer	30 North Street, 3022	03 9360 4552
Bannockburn	71 McPhillips Road, 3331	03 5281 1991
Benalla	73 Samaria Road, 3672	03 5762 6933
Bendigo	9 Brown Street, Long Gully, 3550	03 5449 2400
Bentleigh	34-36 Clairmont Avenue, 3204	03 9557 2888
Coolaroo	15 Mladen Court, 3048	03 9309 0011
Dandenong	151 David Street, 3175	03 9792 4322
Epping	30 Epping Road, 3076	03 9408 8564
Glen Waverley	2B Grace Street, 3150	03 9562 5814
Grovedale	6A Perrett Street, 3216	03 5247 2000
Heidelberg West	413-415 Waterdale Road, 3081	03 9455 0000
Keilor	2-6 Copernicus Way, Keilor Downs, 3038	03 9367 1011
Keysborough	15 Stanley Road, 3173	03 8788 2700
Knoxfield	428 Scoresby Road, 3180	03 9763 1421
Leopold	52-60 Ash Road, 3224	03 5250 2156
Melton South	34-42 Brooklyn Road, 3338	03 9747 5600
Oakleigh East	23A Elizabeth Street, 3166	03 9544 8167
Plenty Valley	806 Plenty Road, South Morang, 3752	03 9404 8000
Prahran	241 Dandenong Road, Windsor, 3181	03 9533 7855
Ringwood	211-217 Wantirna Road, 3134	03 9879 5155
South Morang	879 Plenty Road, 3752	03 9404 8600
Victoria Heights	41-47 Victoria Street, Ironbark, 3550	03 5443 2731
Wattle Glen	45 Silvan Road, 3096	03 9718 2267
Werribee	8-10 Russell Street, 3030	03 9749 8000
Wodonga	240 Felltimber Creek Road, 3690	02 6043 5000
Yarra Valley	21 Hoddle Street, Yarra Junction, 3797	03 5967 5500



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