Estia Health Limited

Results for announcement to the market
For the half-year ended 31 December 2017
(previous corresponding period being the half-year ended 31 December 2016)

Appendix 4D

	up / down	**31 Dec 2017 $'000**	31 Dec 2016 $'000	% change
Revenue from ordinary activities		**271,744**	263,113	3.3
Other income		**387**	-	
Total revenue and other income from ordinary activities	**up**	**272,131**	263,113	3.4
Earnings before interest and tax	**down**	**31,928**	34,491	(7.4)
Profit from ordinary activities after tax	**up**	**20,258**	19,758	2.5
Earnings before interest, tax, depreciation, amortisation and impairment expenses and gain on sale of assets held for sale (EBITDA)	**up**	**45,421**	42,962	5.7

	31 Dec 2017 (cents)	31 Dec 2016 (cents)	% Change
Basic earnings per share	**7.78**	10.31	(24.5)
Diluted earnings per share	**7.75**	10.26	(24.5)
Net tangible asset backing per ordinary share	**(64.38)**	(111.92)	37.9

Dividend information

Dividends	**Amount per share (cents)**	Franked amount per share (cents)	Tax rate for franking credit
Interim dividend – half-year ended 31 December 2017	**7.8**	7.8	30%
Final dividend year ended 30 June 2017	**8.0**	8.0	30%
Interim dividend – half-year ended 31 December 2016	**nil**	nil	N/A

Further Information

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the 2017 Interim Financial Report attached. This document should be read in conjunction with the 2017 Interim Financial Report and any public announcements made in the period by EHE in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Leanne Ralph

Company Secretary

22 February 2018

Estia Health Limited

ABN 37 160 986 201

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Estia Health Limited

ABN 37 160 986 201

Contents to interim financial report

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
Helen Kurincic (Risk Management Committee Chair) Appointed 1 July 2017
Patrick Grier AM (Non-executive Director) Resigned 14 November 2017

Company Secretary
Leanne Ralph Appointed 21 December 2017
Suzy Watson Resigned 21 December 2017

Registered office
357 Camberwell Road
Camberwell VIC 3124

Principal place of business
357 Camberwell Road
Camberwell VIC 3124

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 six months ended 31 December 2017.

Directors

The names and details of the Group's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

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

Helen Kurincic (Risk Management Committee Chair) (Appointed 1 July 2017)

Patrick Grier AM (Resigned 14 November 2017)

Dividends

On 22 February 2018, the Directors resolved that there will be a fully franked interim cash dividend for the six month period ended 31 December 2017 of 7.8 cents per ordinary share totalling $20,327,014. The record date for the interim dividend will be 2 March 2018, with payment being made on 23 March 2018. Shares will trade excluding entitlement to the dividend on 1 March 2018.

Dividends paid during the six months 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

Dividends paid, net of Management Equity Plan shares, total $20,848,220.

Principal activities

The principal activities of the Estia Health Group during the six month period ended 31 December 2017 included the operating and developing of owned and leased residential aged care facilities throughout Australia.

Operating and financial review

Estia has continued to grow through the optimisation of the financial performance of existing facilities, greenfield and brownfield developments, resulting in an increase in revenue and net profit after tax.

A summary of financial results for the six months ended 31 December 2017 is below:

	2017 ($million)	2016 ($million)	% change
Revenue	271.7	263.1	3.3%
EBITDA*	45.4	43.0	5.6%
Net Profit After Tax	20.3	19.8	2.5%
Earnings Per Share	7.78 cents	10.31 cents	

** 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 calculated as operating profit for the period less depreciation, amortisation and impairment expenses and gain on sale of assets held for sale and has been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial period. This non-IFRS financial information, while not subject to review, has been extracted from the financial report, which has been subject to a review by our external auditors.*

Significant changes in the state of affairs

There were no significant changes in the state of affairs of our company during the six month period ended 31 December 2017.

Significant events after the balance date

Subsequent to 31 December 2017, the Group has repaid a net $15,000,000 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's growth strategy centres on improving the performance of its aged care portfolio.

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.

Indemnification and insurance of directors and officers

The Group has agreed to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the Group for which they may be held personally liable. The agreement provides for the Group to pay an amount provided that:

(a) The liability does not arise out of conduct involving a lack of good faith; and

(b) The liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

During or since the financial period, the Group has been covered by a contract insuring all the directors of Estia Health Limited against legal costs incurred in defending proceedings for conduct other than:

(a) A wilful breach of duty; or

(b) A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001.*

There were no payments for insurance contract premiums during the period as these were paid in advance in the prior period.

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 period.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars ($'000), except where otherwise indicated, and where noted ($) 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.

Signed in accordance with a resolution of the directors on 22 February 2018.

Dr. Gary Weiss

Chairman

Sydney

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

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Fax: +61 3 8650 7777
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Auditor's Independence Declaration to the Directors of Estia Health Limited

As lead auditor for the review of Estia Health Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
22 February 2018

Interim consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2017

	Notes	December 2017 $'000	December 2016 $'000
Revenues		**271,744**	**263,113**
Other income		387	-
Expenses			
Administrative expenses		8,633	9,050
Depreciation and amortisation expenses		10,695	8,471
Impairment expenses	5	3,185	-
Employee benefits expenses		178,139	168,476
Occupancy expenses		14,547	14,791
Resident expenses		25,004	27,834
Operating profit for the period		**31,928**	**34,491**
Net finance costs		3,803	5,854
Profit before income tax		**28,125**	**28,637**
Income tax expense	3	7,867	8,879
Profit for the period		**20,258**	**19,758**
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 period, net of tax		**20,258**	**19,758**
Earnings per share		**cents**	**cents**
Basic, profit for the period attributable to ordinary equity holders of the Parent		**7.78**	**10.31**
Diluted, profit for the period attributable to ordinary equity holders of the Parent		**7.75**	**10.26**

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of financial position

As at 31 December 2017

	Notes	December 2017 $'000	June 2017 $'000
Current assets			
Cash and cash equivalents	4	17,706	19,215
Trade and other receivables		9,571	10,359
Prepayments and other assets		8,182	5,353
Assets held for sale		-	2,561
Income tax receivable		73	-
Total current assets		**35,532**	**37,488**
Non-current assets			
Property, plant and equipment	5	730,579	723,549
Investment properties		1,500	1,500
Goodwill	6	817,074	817,074
Other intangible assets	6	218,666	218,916
Total non-current assets		**1,767,819**	**1,761,039**
Total assets		**1,803,351**	**1,798,527**
Current liabilities			
Trade and other payables		35,059	28,855
Loans and borrowings	7	-	264
Income received in advance	8	31,348	24
Refundable accommodation deposits and bonds		762,823	730,222
Other financial liabilities		1,261	1,293
Income tax payable		-	4,227
Provisions		40,407	38,955
Total current liabilities		**870,898**	**803,840**
Non-current liabilities			
Deferred tax liabilities		107,164	108,765
Loans and borrowings	7	60,000	121,250
Provisions		4,411	3,441
Other payables		88	115
Total non-current liabilities		**171,663**	**233,571**
Total liabilities		**1,042,561**	**1,037,411**
Net assets		**760,790**	**761,116**
Equity			
Issued capital	9	801,833	801,830
Share-based payments reserve		934	673
Accumulated losses		(41,977)	(41,387)
Total equity		**760,790**	**761,116**

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of changes in equity

For the six months ended 31 December 2017

	Note	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 period		-	-	19,758	19,758
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**19,758**	**19,758**
Transactions with owners in their capacity as owners:					
Issue of share capital		89,735	-	-	89,735
Share issue costs (net of tax)		(3,699)	-	-	(3,699)
Repayment of management equity plan		68	-	-	68
Dividends		-	-	(24,088)	(24,088)
Share-based payments		-	(119)	-	(119)
As at 31 December 2016		**735,267**	**396**	**(62,327)**	**673,336**
As at 1 July 2017		**801,830**	**673**	**(41,387)**	**761,116**
Profit for the period		-	-	20,258	20,258
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**20,258**	**20,258**
Transactions with owners in their capacity as owners:					
Issue of share capital	9	-	-	-	-
Share issue costs (net of tax)	9	-	-	-	-
Repayment of management equity plan	9	3	-	-	3
Dividends	9	-	-	(20,848)	(20,848)
Share-based payments		-	261	-	261
As at 31 December 2017		**801,833**	**934**	**(41,977)**	**760,790**

The accompanying notes form part of these interim consolidated financial statements.

Interim consolidated statement of cash flows

For the six months ended 31 December 2017

	Note	December 2017 $'000	December 2016 $'000
Cash flows from operating activities			
Receipts from residents		69,659	66,748
Receipts from government		232,785	231,732
Payments to suppliers and employees		(220,054)	(212,348)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU contributions		**82,390**	**86,132**
Interest received		125	319
Finance costs paid		(3,979)	(6,096)
Income tax paid		(13,768)	(20,374)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU contributions		**64,768**	**59,981**
RAD, accommodation bond and ILU entry contribution received		137,508	133,394
RAD, accommodation bond and ILU entry contribution refunded		(103,958)	(94,662)
Net cash flows from operating activities		**98,318**	**98,713**
Cash flows from investing activities			
Payments for business combinations, net of cash acquired		-	(86,364)
Payments for acquisition transaction costs		-	(6,764)
Payments for intangible assets	6	(322)	(822)
Proceeds from sale of property, plant and equipment		-	46
Proceeds from sale of assets held for sale		4,193	-
Purchase of property, plant and equipment	5	(21,339)	(24,006)
Net cash flows used in investing activities		**(17,468)**	**(117,910)**
Cash flows from financing activities			
Proceeds from issue of share capital	9	3	84,898
Payments for share issue costs		-	(3,090)
Proceeds from repayment of MEP loans		-	60
Proceeds from borrowings		20,000	76,500
Repayment of borrowings		(81,514)	(63,500)
Dividends paid		(20,848)	(19,242)
Net cash flows (used in)/from financing activities		**(82,359)**	**75,626**
Net (decrease)/increase in cash and cash equivalents		**(1,509)**	**56,429**
Cash and cash equivalents at the beginning of the period		**19,215**	**29,810**
Cash and cash equivalents at the end of the period	4	**17,706**	**86,239**

The accompanying notes form part of these interim consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. Corporate Information

The interim condensed consolidated financial statements of Estia Health Limited and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22 February 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.

2. Summary of significant accounting policies

(a) Basis of preparation

The interim consolidated financial report is a general purpose financial report which has been prepared by a for-profit entity, in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board (AASB). The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

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

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

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 $835,366,000 as at 31 December 2017 (30 June 2017: $766,352,000). This mainly arises because of the requirement to classify refundable accommodation deposits and independent living unit (ILU) entry contributions of $764,084,000 (30 June 2017: $731,515,000) as current liabilities.

(b) Changes in accounting policy

The accounting policies adopted in preparation of the interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2017.

The Australian Accounting Standards Board (AASB) has issued a number of new standards which become effective from 1 January 2018 (financial year ending 30 June 2019 for the Group). The Group has formed a working group to assess any potential impact resulting from the application of the new standards, including prior year comparative disclosures. The Group has not yet finalised the quantification of any impact, which, including the impact to the prior year comparative (i.e. 2018) will be disclosed in the financial statements for the year ending 30 June 2019.

Since 1 July 2017, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Fair value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

2. Summary of significant accounting policies (continued)

(c) Fair value measurement (continued)

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 at fair value 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.

The fair value of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the borrowing rate for a similar borrowing as at the end of the reporting period.

The fair value of investment properties of $1,500,000 (30 June 2017: $1,500,000) has been categorised as a Level 2 based on the inputs to the valuation technique used.

Due to the frequency of residents entering and departing from a unit the fair value of each deposit 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 period.

			Fair value measurement using		
	Date of Valuation	Total $'000	Quoted Prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Investment properties	31 December 2017	1,500	-	1,500	-
Loans and borrowings	31 December 2017	60,000	-	60,000	-
Other financial liabilities	31 December 2017	764,084	-	764,084	-
		825,584	**-**	**825,584**	**-**

3. Income tax

The major components of income tax expense for the six months ended 31 December 2017 and 31 December 2016 are:

Interim consolidated statement of profit or loss and other comprehensive income

	December 2017 $'000	December 2016 $'000
Current income tax:		
Current income tax expense	9,049	9,041
Adjustments in respect of income tax of previous year	(210)	721
Deferred income tax:		
Relating to origination and reversal of temporary differences	(935)	(1,005)
Adjustments in respect of income tax of previous year	(37)	122
Income tax expense reported in the interim consolidated statement of profit or loss and other comprehensive income	**7,867**	**8,879**

Reconciliation of income tax expense and the accounting profit:

	December 2017 $'000	December 2016 $'000
Accounting profit before income tax	28,125	28,637
At the Australian statutory income tax rate of 30% (2016: 30%)	8,437	8,591
Adjustments in respect of income tax of previous year	(247)	843
Non-taxable income	(150)	-
Utilisation of previously unrecognised tax losses	(195)	(230)
Expenditure not allowable for income tax purposes		
- Acquisition related costs for previous year business combinations	-	(350)
- Other expenditure	22	25
Income tax expense	**7,867**	**8,879**

4. Cash and cash equivalents

	December 2017 $'000	June 2017 $'000
Cash balance comprises:		
Cash at bank	17,631	19,141
Cash on hand	75	74
	17,706	**19,215**

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

5. Property, plant and equipment

Reconciliation of property, plant and equipment

	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	-	-	735	4,356	45	16,203	**21,339**
Transfers	-	24,458	4,032	2,575	-	(31,065)	**-**
Derecognition due to impairment *	-	(3,000)	(153)	(450)	-	-	**(3,603)**
Disposals	(1,001)	-	-	-	-	-	**(1,001)**
Balance at 31 December 2017	**192,440**	**467,945**	**40,813**	**55,711**	**945**	**20,136**	**777,990**
Accumulated depreciation							
Balance at 1 July 2016	-	10,803	289	8,552	330	-	**19,974**
Depreciation expense	-	8,453	730	7,870	236	-	**17,289**
Impairment expense	455	-	-	-	-	-	**455**
Disposals	-	-	-	-	(12)	-	**(12)**
Balance at 30 June 2017	455	19,256	1,019	16,422	554	-	**37,706**
Depreciation expense	-	4,693	653	4,659	118	-	**10,123**
Derecognition due to impairment *	-	(180)	(8)	(230)	-	-	**(418)**
Disposals	-	-	-	-	-	-	**-**
Balance at 31 December 2017	**455**	**23,769**	**1,664**	**20,851**	**672**	**-**	**47,411**
Net book value							
As at 30 June 2017	192,986	427,231	35,180	32,808	346	34,998	**723,549**
As at 31 December 2017	**191,985**	**444,176**	**39,149**	**34,860**	**273**	**20,136**	**730,579**

* An impairment expense of $3,185,000 was recognised in the period for the Southport facility which was demolished in December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2017

6. Intangible assets

	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	-	-	322	322
Balance at 31 December 2017	**817,074**	**214,940**	**6,705**	**1,038,719**
Accumulated amortisation				
Balance at 1 July 2016	-	-	1,291	1,291
Amortisation expense	-	-	1,116	1,116
Balance at 30 June 2017	**-**	**-**	**2,407**	**2,407**
Amortisation expense	-	-	572	572
Balance at 31 December 2017	**-**	**-**	**2,979**	**2,979**
Net book value				
As at 30 June 2017	**817,074**	**214,940**	**3,976**	**1,035,990**
As at 31 December 2017	**817,074**	**214,940**	**3,726**	**1,035,740**

(a) Bed Licences
Bed licences acquired through a business combination are assessed at fair value at the date of acquisition in accordance with AASB 3 *Business combinations* in the consolidated accounts.

(b) Impairment of intangible assets
Intangible assets with an indefinite useful life form part of one CGU for impairment testing purposes, which is consistent with the operating segment identified in Note 14.

The Group performs an annual impairment test in June and additionally whenever circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2017

7. Loans and borrowings

	December 2017 $'000	June 2017 $'000
Current loans and borrowings		
Other borrowings, unsecured	-	264
Total current loans and borrowings	**-**	**264**
Non-current loans and borrowings		
Bank loans, secured	60,000	121,250
Total non-current loans and borrowings	**60,000**	**121,250**
Total loans and borrowings	**60,000**	**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 31 December 2017 was $330,000,000 and during the six months ended 31 December 2017, the Group renewed this debt facility in full with a maturity date of 22 August 2020.

8. Income received in advance

	December 2017 $'000	June 2017 $'000
Income received in advance	31,348	24
	31,348	**24**

Income received in advance relates to funding received from the Government for the following month due to the holiday period.

9. Issued capital and reserves

	December 2017 $'000	June 2017 $'000
Issued and fully paid		
Ordinary shares	801,833	801,830
	801,833	**801,830**

(a) Movements in ordinary shares on issue

	December 2017		June 2017	
	Number of shares	$'000	Number of shares	$'000
Beginning of the period	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	-	3	-	2,774
End of the financial year	**260,602,749**	**801,833**	**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 10 for further details of these plans.

(c) Franking credits

The franking credit balance of Estia Health Limited as at 31 December 2017 is $26,028,133 (30 June 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.

On 22 February 2018, the Directors resolved that there will be a fully franked interim cash dividend for the six month period ended 31 December 2017 of 7.8 cents per ordinary share totalling $20,327,014.

(e) Dividend reinvestment plan

The DRP was not applicable for the final dividend paid on 29 September 2017.

10. Share-based payments

At 31 December 2017, the Group had the following share-based payments arrangements:

(i) Long-Term Incentive Plan

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 TSR and Earnings Per Share as performance measures for the LTIP.

(ii) Management Equity Plan

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.

11. Related party disclosures

There were no other transactions and outstanding balances that have been entered into with related parties for the relevant financial period.

12. Commitments and contingencies

There have been no material changes to the Group's commitments and contingencies during the period from those disclosed at 30 June 2017.

13. Subsequent events

Subsequent to 31 December 2017, the Group has repaid a net $15,000,000 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.

14. 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. Group performance is evaluated by executive management based on operating profit or loss and is measured consistently with the information provided in these consolidated financial statements.

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 six months ended 31 December 2017 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 31 December 2017 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001;*

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

On behalf of the Board

Dr. Gary Weiss
Chairman

22 February 2018

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Independent Auditor's Review Report to the Members of Estia Health Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Estia Health Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
Melbourne
22 February 2018