ESTIA INVESTMENTS PTY LTD

ABN 87 164 350 387

National Approved Provider System (NAPS) ID: 5951

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2024

ESTIA INVESTMENTS PTY LTD

ABN 87 164 350 387

CONTENTS

DIRECTORS' REPORT

The Directors submit their report on Estia Investments Pty Ltd ("the Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2024.

DIRECTORS

The following persons were directors of the Company during the financial year and until the date of this report, unless otherwise stated.

Sean Bilton	
Norah Barlow ONZM	
Professor Simon Willcock AM	
Harley Wright	(appointed 27 February 2024)
JoAnne Stephenson	(appointed 27 February 2024)
Charles Lawson	(appointed 27 February 2024)
Dr Gary Weiss AM	(resigned 15 December 2023)
Paul Foster	(resigned 15 December 2023)
Helen Kurincic	(resigned 15 December 2023)
Karen Penrose	(resigned 15 December 2023)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2024 continued to be the provision of services in residential aged care homes in Australia as an Approved Provider under the *Aged Care Act 1997* (the “Act”).

REVIEW OF OPERATIONS

The loss after income tax amounted to $9.2 million (2023: loss of $71.5 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Acquisition of Estia Health by Bain Capital

In December 2023, the Group’s parent, Estia Health Limited (Estia Health) was acquired via a Scheme of Arrangement by Estia Health BidCo Pty Ltd (previously Firebird BidCo Pty Ltd) (BidCo), a company ultimately controlled by Bain Capital Fund V, L.P. (Fund V).

Following the acquisition by BidCo, Estia Health delisted from the ASX on 18 December 2023 and subsequently on 6 March 2024, Estia Health became a proprietary limited company.

The Company was a party to a deed of cross guarantee entered into with Estia Health and its subsidiaries on 16 June 2021. On 15 December 2023, the Company became a party to a new deed of cross guarantee entered into with Estia Health HoldCo Pty Ltd, a related entity and its subsidiaries.

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to entities that are part of the deed of cross of guarantee from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

Royal Freemasons homes acquisition

In October 2023, the Group completed its acquisition from the Royal Freemasons Victoria of two homes with a total of 264 operational places in Bendigo and Benalla in Victoria for a cash consideration of $17.3 million. Following the acquisition, the Company relocated the existing operations of its two mature homes in Bendigo and Benalla to the Royal Freemasons homes and subsequently closed the existing mature homes in the region. As at 30 June 2024, the Group has classified the closed Bendigo home with a carrying value of $1.9 million as an asset held for sale.

New homes commissioning

In December 2023, the Group completed the development of and opened its St Ives (NSW) and Aberglasslyn (NSW) homes, activating a total of 236 new operating places.

DIVIDENDS

No dividends have been declared during the financial year (2023: nil).

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 July 2024, the Company's ultimate Australian parent entity, Estia Health TopCo Pty Ltd (TopCo), resolved to approve a Management Equity Plan (MEP) for certain members of the Group's leadership team (the Participants).

Shares issued under the MEP were funded by limited recourse loans entered into between Estia Health and the Participants. Subsequently, on 12 July 2024, Estia Health funded $22.14 million under the terms of the limited recourse loans and TopCo issued 22,137,000 Class A MEP Shares to the Participants.

Other than the matter noted above, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has 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.

ENVIRONMENTAL REGULATION

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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 affairs of the Group in future financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with provisions in its constitution, TopCo (post-acquisition) and Estia Health (pre-acquisition) have executed deeds of indemnity in favour of current and former 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 repayment 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*.

During the year, the Group incurred an insurance premium in respect of a contract insuring directors and directors of controlled entities against liabilities arising as a result of work performed in their capacity as directors of the Group and controlled entities respectively. Details and the nature of liabilities covered, or the amount of the premium paid in respect of the insurance contract are not detailed here, as the disclosure of the details is prohibited under the terms of the contract.

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 Australia during or since the end of the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

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 or Director' Reports) Instrument 2016/191*. Estia Investments Pty Ltd is an entity to which this class order applies.

This report is made on 24 September 2024 in accordance with a resolution of Directors.

Norah Barlow ONZM

Director
24 September 2024

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Estia Investments Pty Ltd

As lead auditor for the audit of the financial report of Estia Investments Pty Ltd for the financial year ended 30 June 2024, 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;

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

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

This declaration is in respect of Estia Investments Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Brett Croft
Partner
24 September 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $'000	2023 $'000
Revenue			
Revenues	3	999,045	754,298
Other income		146	102
Government grants	4	11,061	51,628
Total revenue		**1,010,252**	**806,028**
Expenses			
Employee benefits expenses and agency staff expenses	5	661,089	531,545
Administrative expenses	6	70,187	59,244
Occupancy expenses	7	30,558	25,637
Resident expenses		69,127	66,431
Amortisation of bed licences		80,466	80,466
Depreciation, impairment and amortisation		48,182	57,470
Business acquisition related costs		1,577	9,112
Total expenses		**961,186**	**829,905**
Operating profit/(loss) for the year		**49,066**	**(23,877)**
Net finance costs	8	84,583	72,952
Loss before income tax		**(35,517)**	**(96,829)**
Income tax benefit	9	(26,319)	(25,346)
Net loss for the year		**(9,198)**	**(71,483)**
Other comprehensive income		-	-
Total comprehensive loss for the year, net of tax		**(9,198)**	**(71,483)**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	2024 $'000	2023 $'000
Current assets			
Cash and cash equivalents	10	123,154	23,174
Trade and other receivables	11	8,695	27,071
Prepayments and other assets		3,584	4,301
Consumable supplies		2,087	2,190
Assets held-for-sale	12	1,875	-
Total current assets		**139,395**	**56,736**
Non-current assets			
Property, plant and equipment	13	1,023,608	951,309
Investment properties		580	850
Goodwill	14	732,671	717,363
Other intangible assets	14	1,804	82,959
Right of use assets	15	53,145	54,446
Prepayments and other assets		401	297
Total non-current assets		**1,812,209**	**1,807,224**
Total assets		**1,951,604**	**1,863,960**
Current liabilities			
Trade and other payables	16	71,055	54,236
Other financial liabilities		401	596
Related party loans payable	17	398,849	371,246
Provisions	18	79,812	73,425
Lease liabilities	15	3,980	3,724
Refundable accommodation deposits and bonds	21	1,192,116	1,027,537
Income tax payable		-	491
Total current liabilities		**1,746,213**	**1,531,255**
Non-current liabilities			
Lease liabilities	15	55,555	57,336
Related party loans payable	17	-	70,000
Provisions	18	11,482	9,320
Deferred tax liabilities	9	9,612	58,109
Total non-current liabilities		**76,649**	**194,765**
Total liabilities		**1,822,862**	**1,726,020**
Net assets		**128,742**	**137,940**
Equity			
Issued capital	22	455,987	455,987
Deemed contributions		3,829	3,829
Accumulated losses		(331,074)	(321,876)
Total equity		**128,742**	**137,940**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Issued capital $'000	Deemed contributions $'000	Accumulated losses $'000	Total equity $'000
Balance as at 1 July 2022	455,987	3,829	(250,393)	209,423
Loss for the year	-	-	(71,483)	(71,483)
Balance as at 30 June 2023	**455,987**	**3,829**	**(321,876)**	**137,940**
Balance as at 1 July 2023	455,987	3,829	(321,876)	137,940
Loss for the year	-	-	(9,198)	(9,198)
Balance as at 30 June 2024	**455,987**	**3,829**	**(331,074)**	**128,742**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from residents		199,610	166,029
Receipts from Government excluding Government grants received		739,309	523,447
Government grants received		29,995	31,528
Payments to suppliers and employees		(804,919)	(622,286)
Net cash flows from operating activities before interest, income tax and RAD, accommodation bond and ILU entry contributions		**163,995**	**98,718**
Interest received		4,832	616
Finance costs paid		(3,870)	(4,715)
Interest expense on lease liabilities		(1,797)	(1,812)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		**163,160**	**92,807**
RAD, accommodation bond and ILU entry contribution received		449,802	363,684
RAD, accommodation bond and ILU entry contribution refunded		(313,581)	(278,010)
Net cash flows from operating activities	10	**299,381**	**178,481**
Cash flows from investing activities			
Payments for intangible assets		(245)	(210)
Purchase of property, plant and equipment		(82,254)	(61,777)
Business combinations, net of cash acquired		(17,380)	(76,400)
Net cash flows used in investing activities		**(99,879)**	**(138,387)**
Cash flows from financing activities			
Net borrowings repayment to related parties		(95,609)	(33,520)
Repayment of lease liabilities		(3,913)	(3,807)
Net cash flows used in financing activities		**(99,522)**	**(37,327)**
Net increase in cash and cash equivalents		**99,980**	**2,767**
Cash and cash equivalents at the beginning of the year		23,174	20,407
Cash and cash equivalents at the end of the year	10	**123,154**	**23,174**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

1. CORPORATE INFORMATION

The consolidated financial statements of Estia Investments Pty Ltd (the "Company" or the "Parent") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 24 September 2024.

The Company is a for-profit company limited by shares incorporated in Australia. The registered office is at 227 Elizabeth Street Sydney NSW 2000. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(a) BASIS OF PREPARATION

This financial report is a general purpose financial statement which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Simplified Disclosures 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. In 2023, the financial report has been prepared in accordance with Tier 1 - Australian Accounting Standards.

The Company is an approved provider of residential aged care services with a National Approved Provider Service ID of 5951. The Company delivers only residential aged care services in Australia and this general purpose financial statement therefore relates only to such operations.

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

(b) STATEMENT OF COMPLIANCE

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

(c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its controlled subsidiaries as at and for the year ended 30 June 2024. 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.

(d) CURRENT OR NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period;
- Held primarily for trading; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(d) CURRENT OR NON-CURRENT CLASSIFICATION (cont'd)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period;
- Held primarily for trading; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classified all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) GOING CONCERN

The financial report has been prepared on a going concern basis which assumes that the Group will be able to meet its obligations as and when they fall due. The Group's current liabilities exceed current assets by $1,606,818,000 as at 30 June 2024 (2023: $1,474,519,000) resulting in a net deficiency of current assets. This mainly arises because of the requirement to classify Refundable Accommodation Deposits ("RADs") and Bonds of $1,192,116,000 (2023: $1,027,537,000) as current liabilities. Refer to Note 17 for details of related party loans and Note 27 for explanation of a Deed of Cross Guarantee entered into by the Company.

RADs and Bonds are classified as a current liability because the Group does not have an unconditional right to defer settlement of any specific RAD or Bond for at least twelve months after the reporting date. The total RAD and Bond liability represents the sum of separate payments from individual residents in different locations with differing circumstances, and frequently a departing RAD and Bond-paying resident may be replaced quickly with a new RAD-paying resident. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents, which can be more than ten years but averages approximately 2 - 2.5 years (see Note 21 for further details).

On 15 December 2023, the Company entered into a revised intercompany loan agreement with its immediate parent and other members of the wider TopCo Group. Under the terms of this agreement, funds advanced between the members are interest bearing and repayable on demand. At 30 June 2024, the Company owed its immediate parent $398,450,000. The Company has received confirmation from its immediate parent that amounts due under the terms of this agreement will not be due or payable any earlier than 30 September 2025 unless by mutual agreement between the parties.

On 9 February 2024, the Group acceded as both a guarantor and obligor to the $670,000,000 BidCo Syndicated Facility Agreement (SFA). Under the terms of the SFA, funding can be drawn for a variety of purposes which includes funding RADs and Bond refunds should the Group experience significant RAD and Bond net outflows.

(f) MATERIAL ACCOUNTING POLICIES

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted in preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended 30 June 2023, except for the adoption of amendments to standards effective as of 1 July 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended accounting standards and interpretations

None of the new standards, amendments and interpretations have a significant impact on the financial statements of the Group.

Standards issued but not yet effective

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

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES

Material accounting policies

The following section provides a list of material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Revenue

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

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

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

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

The following recognition criteria must be met before revenue is recognised:

Government fees and subsidies

Revenue from the rendering of services is recognised upon delivery of the performance obligations to the residents, which is based on daily services for daily fees.

Resident fees

Revenue from the rendering of a service or supply of goods to residents is recognised upon delivery of the performance obligations to the residents, which is based on daily services for daily fees.

Other resident fees include income arising from provision of accommodation and is accounted for in accordance with AASB 16 *Leases* ("AASB 16") on a straight-line basis over the length of stay.

Imputed revenue on RAD and Bond balances

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

(ii) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with. Monetary grants relating to compensation for expenses already incurred, or for the purpose of giving immediate financial support with no future related costs, are recognised in the profit or loss of the period in which the Group determines receipt is reasonably assured in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

For non-monetary assets received from the Government, the replacement cost of the underlying assets received are initially recognised as assets and deferred grant income, which is subsequently released to profit or loss based on the pattern of consumption of the benefits of the underlying asset.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(iii) Net finance costs

Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs comprise interest and other costs that an entity incurs in connection with the borrowing of funds. 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. Note 8 contains further details relating to interest expenses recognised under AASB 16.

Imputed interest on RAD and Bond balances

Note 2 (f) (i) contains details in relation to Imputed DAP revenue on RAD and Bond balances under AASB 16.

(iv) Goods and services tax

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office ("ATO"), 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,
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO 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, where the GST is expected to be recoverable.

(v) Income taxes

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 ATO. 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. Positions taken in the tax returns are evaluated with respect to situations in which applicable tax regulations are subject to interpretation and establishes a tax asset or liability 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.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(v) Income taxes (cont'd)

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

Pre-acquisition (1 July 2023 to 15 December 2023)

Estia Health Pty Ltd and its wholly-owned controlled entities implemented tax consolidation under Australian tax legislation effective from 19 June 2013.

Post acquisition (15 December 2023 to 30 June 2024)

On 15 December 2023, the Group entered into new tax funding and tax sharing agreements with its new ultimate Australian parent entity, Estia Health TopCo Pty Ltd, which is the head entity of the income tax consolidated group. On the same date, the Group exited the Estia Health Pty Ltd tax consolidated group.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Group 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.

(vi) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less 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" are as defined above, net of any outstanding bank overdrafts where offset is within the terms of the facility.

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 by the Group within the guidelines set out by the Prudential Compliance Standards and are therefore classified as an operating activity for the purposes of cash flow reporting.

(vii) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for estimated future lifetime credit losses.

The Group uses a provision matrix based on days past due for categories of receivables with similar credit risk characteristics, adjusted for any material expected changes to the future credit risk of that category to determine the lifetime expected credit losses at the reporting date.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(viii) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated. Such cost includes the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are 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 acquired through business combination 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	4 - 50 years
Furniture, fittings and equipment	3 - 20 years
Motor vehicles	4 - 8 years

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at each reporting period end.

De-recognition and disposal

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

Impairment

Property, plant and equipment are tested for impairment at the lowest level Cash Generating Unit ("CGU"). Each Mature Home is determined to be a separate CGU because it generates cash flows which are largely independent of other assets.

The Group also assesses the indicators for impairment at each reporting period end. If impairment indicators exist an impairment test will be performed. The impairment test consists of comparing the recoverable amount of a CGU against its carrying value. Recoverable amount is the higher of the CGU's fair value less costs of disposal or value in use. The carrying value is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying value of the CGU represents those assets that can be attributed directly or allocated on a reasonable and consistent basis.

(ix) Goodwill and other intangible assets

Bed licences

Bed licences are initially carried at cost or if acquired in a business combination, at fair value at the date of acquisition in accordance with either AASB 3 *Business Combinations* and/or AASB 138 *Intangible Assets*.

Subsequently, the Group's bed licences, which were previously carried at cost less any accumulated impairment losses, are now measured at cost less accumulated amortisation and any accumulated impairment losses following the decision by the Australian Government to abolish bed licences. As a result, bed licences were fully amortised as at 30 June 2024.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(ix) Goodwill and other intangible assets (cont'd)

Goodwill

Goodwill is initially measured at cost and represents the excess of the total 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 group of CGUs to which the goodwill relates. When the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

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 intangible assets, other than capitalised development and software costs, are not capitalised and the related expenditure is recognised in 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 life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Software costs are amortised over the estimated useful life of 3 - 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimates and are applied prospectively.

De-recognition and disposal

Gains or losses arising from de-recognition 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 de-recognised.

(x) Leases

When a contract is entered into, the Group assesses whether a contract is, or contains, a lease. A lease arises when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease which is when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred if any, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the assets and the lease term. Right-of-use assets are subject to impairment testing.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(x) Leases (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate ("IBR") if the rate implicit in the lease cannot be readily determined. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of minor office equipment (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Interest expense on lease liabilities

Interest expense on lease liabilities is reported as a component of total finance costs, which is recognised over the term of the lease using the Group's IBR.

(xi) Provisions

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.

Long service leave and annual leave

Long service leave and annual leave entitlements are not expected to be settled fully within the next 12 months but are recognised as a current liability when the Group does not have an unconditional right to defer settlement. 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 of Australian corporate bonds at the reporting date, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Workcover provision

The Group operates as an approved self-insurer for worker's compensation in New South Wales and South Australia. Provisions are recognised based on claims reported and an estimate of claims which may have been incurred but may not yet have been reported. These provisions are measured at present value using independent actuarial valuations performed at each reporting date.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(f) MATERIAL ACCOUNTING POLICIES (cont'd)

(xii) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. All other financial instruments on the balance sheet are measured at amortised cost.

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.

(g) 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 associated with these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities impacted in future periods.

(i) Incremental borrowing rate for leases

Where the Group, as a lessee, cannot readily determine the interest rate implicit in a lease, it uses an Incremental Borrowing Rate ("IBR") to calculate interest expense on leases. The IBR is the interest rate that the lessee would have to pay to borrow over a similar term of each lease. The Group estimates the IBR using market interest rates and adjusts these rates to include the effect of the lessee's own stand-alone credit rating.

(ii) Capitalisation of costs

The Group capitalises costs relating to the construction and refurbishment of aged care facilities. The initial capitalisation of costs is based on the Group's judgement that the project is expected to generate future economic benefits. Subsequent to determining the initial eligibility for capitalisation the Group re-assesses on a regular basis whether projects are still sufficiently probable of completion and expected to deliver desired economic benefits.

(iii) Impairment of goodwill and other intangible assets

The Group performs impairment testing on goodwill and other intangible assets to ensure they are not carried above their recoverable amounts at least annually (for goodwill and other intangible assets with an indefinite useful life) and where there is an indication that assets may be impaired, which is assessed at least at each reporting date.

For impairment testing purposes, goodwill and other intangible assets are allocated to the Group of CGUs which represents the lowest level within the Group at which these assets are monitored. The carrying value of the CGU was compared against the recoverable amount which was determined on a value-in-use calculation basis by discounting cash flow projections for a five year period after which a terminal value is applied. The valuations used to test carrying values are based on forward-looking assumptions which are uncertain. The forecasts also considered the future impacts of the proposed 1 October 2024 increases to mandated care minutes, the increase in the Aged Care Award, the activity of the Independent Health and Aged Care Pricing Authority ("IHACPA"), any future impacts of changes to sector funding from the Aged Care Task Force proposals, announced changes to Government funding, existing grant schemes and climate related risks.

2. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

(g) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

The most sensitive assumptions used in the calculation of the value-in-use are the discount rate, long term growth rate, and the assumption that Government funding increases keep pace with increased input costs. Sensitivity analysis on reasonably likely changes to these assumptions did not result in an outcome where impairment would be required.

A discount rate was applied to the cash flow forecasts, including the terminal value. This rate reflects the current market assessments of the risks specific to the industry the Group operates in and takes into consideration the time value of money. The calculation of the rate is based on the specific circumstances of the asset and is derived from its weighted average cost of capital.

The long-term growth rate applied reflects the Group's assessment of inflation and perpetual growth using market and economic data.

The discount and growth rates used at the respective dates in assessing the recoverable amount are as follows:

	2024 %	2023 %
Post-tax discount rate	8.6	9.0
Long term growth rate	2.3	2.3

(iv) Lease term

The Group determines the lease term as the non-cancellable term of a lease, together with any periods covered by an option to extend if it is reasonably certain to be exercised.

Where the Group has the option to extend a lease for additional terms, judgement is applied in evaluating whether it is reasonably certain to exercise the option to renew, taking into account relevant factors that create an economic incentive to exercise the renewal option. After commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects it ability to exercise (or not exercise) the option to renew.

(v) Discount rates

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its IBR to calculate the present value of future lease payments. The Group estimates the IBR using market interest rates and adjusts these rates to include the effect of its own stand-alone credit rating.

(vi) Long service leave

The provision for long service leave is measured based on the relevant regulations of each State. Judgement is required in determining the following key assumptions used in the calculation of the long service leave provision at the balance sheet date:

- future increases in salaries and wages;
- future probability of employee departures and periods of service; and
- an appropriate discount rate.

(vii) Workcover provision

The workcover provision represents a self-insured risk liability based on a number of estimates and assumptions including, but not limited to ultimate number of reported claims, discount rate, wage inflation, average claim size, superimposed inflation (i.e., inflation above wage inflation) and claims administration expenses.

These assumptions are reviewed periodically, and any reassessment of these assumptions may impact the size of the provision required.

(viii) Business combinations

The Group recognises the identifiable assets and liabilities of businesses acquired based on fair values at the date of acquisition. Where a significant amount of property, plant and equipment is recognised in the business combination, the fair value determination is supported by an independent external valuer using the market or income method for real property and the direct costs approach for plant and equipment.

3. REVENUE

	2024 $'000	2023 $'000
Government funded subsidies and supplements	739,309	540,158
Resident daily care fees	143,454	122,695
Other resident fees	60,928	50,203
Imputed DAP revenue on RAD and bond balances under AASB 16	55,354	41,242
Total revenue	**999,045**	**754,298**

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

The Australian Government (the "Government") determines the amount of subsidies and supplements in accordance with the provisions of the *Aged Care Act 1997* (the "Act"). In accordance with the Act, the level of subsidy or supplement is dependent on a range of factors, including a resident's care needs, supported resident ratios in a particular home and whether a home has been newly built or significantly refurbished on or after 20 April 2012. The subsidies and supplements are calculated as a daily rate payable for each day that a resident is in a home.

The Government may require a resident to pay a proportion of that subsidy or supplement dependent upon their financial circumstances. This is referred to as a Means Tested Care Fee ("MTCF"). The MTCF reduces the amount the Government pays directly to the provider, with the provider entitled to pass on this MTCF by invoicing the resident directly for an equal amount. The total MTCFs included within the total Government Funded Residential Care Subsidies and Supplements were $23,359,000 for the year ended 30 June 2024 (2023: $21,538,000).

4. GOVERNMENT GRANTS

	2024 $'000	2023 $'000
COVID-19 costs reimbursement	6,601	50,604
Fair work decision historical leave liability grant	3,541	-
Personal protective equipment received and consumed	919	825
Other	-	199
Total government grants	**11,061**	**51,628**

COVID costs reimbursement

Government grants primarily relate to claims disbursed from the Government which reimburse some of the costs incurred during COVID-19 outbreaks. As at 30 June 2024, all grants have been approved and received from the Government.

5. EMPLOYEE BENEFITS EXPENSES AND AGENCY STAFF EXPENSES

	2024 $'000	2023 $'000
Salaries and wages expenses	510,673	400,131
Superannuation expenses	53,884	39,342
Other employee expenses including agency staff expenses	96,532	92,072
Total employee benefits expenses and agency staff expenses	**661,089**	**531,545**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

6. ADMINISTRATIVE EXPENSES

	2024 $'000	2023 $'000
Professional services expenses	44,650	35,145
Information technology and telephone expenses	6,983	5,649
Travelling expenses	4,701	5,145
Insurance premiums	3,582	4,237
Advertising and marketing expenses	1,678	1,502
Recruitment expenses	1,435	1,650
Printing and stationery expenses	1,289	1,034
Other administrative expenses	5,869	4,882
Total administrative expenses	**70,187**	**59,244**

7. OCCUPANCY EXPENSES

	2024 $'000	2023 $'000
Repairs and maintenance expenses	12,333	10,702
Other occupancy expenses	18,225	14,935
Total occupancy expenses	**30,558**	**25,637**

8. NET FINANCE COSTS

	2024 $'000	2023 $'000
Finance income		
Interest income from cash at banks	4,832	616
Total finance income	**4,832**	**616**
Finance costs		
Imputed interest expense on RAD and bond balances	55,354	41,242
Interest expense on related party loans	28,286	27,001
Interest expense on RAD and bond balances for departed residents	3,042	2,853
Interest expense on leases under AASB 16	1,797	1,812
Other finance costs	1,861	1,965
Interest capitalised	(925)	(1,305)
Total finance costs	**89,415**	**73,568**
Net finance costs	**84,583**	**72,952**

9. INCOME TAX

Major components of income tax expense

	2024 $'000	2023 $'000
Current income tax		
Current income tax expense	24,809	(845)
Adjustments in respect of income tax of previous year	(13)	(2)
Deferred income tax		
Relating to origination and reversal of temporary differences	(33,579)	(24,499)
Adjustments arising from changes in tax consolidation group	(15,252)	-
Adjustments in respect of income tax of previous year	(2,284)	-
Income tax benefit	**(26,319)**	**(25,346)**

Reconciliation of income tax benefit and accounting profit

	2024 $'000	2023 $'000
Accounting loss before income tax	(35,517)	(96,829)
At the Australian statutory income tax rate of 30% (2022: 30%)	(10,655)	(29,049)
Adjustments in respect of income tax of previous year	(2,297)	(2)
Adjustments arising from changes in tax consolidation group	(15,252)	-
Expenditure not allowable for income tax purposes:		
- Business acquisition related costs	854	2,576
- Other expenditure	1,031	1,129
Income tax benefit	**(26,319)**	**(25,346)**

Reconciliation of deferred tax liabilities, net

	$'000
Balance as at 1 July 2022	**(83,965)**
Income tax benefit during the year recognised in profit or loss	24,499
Adjustments in respect of income tax of previous year	1,357
Balance as at 1 July 2023	**(58,109)**
Income tax benefit during the year recognised in profit or loss	35,863
Adjustments arising from changes in tax consolidation group	15,252
Adjustments in respect of income tax of previous year	130
Net deferred tax assets arising from business combinations	(2,748)
Balance as at 30 June 2024	**(9,612)**

9. INCOME TAX (cont'd)

Major components of deferred tax

	Opening balance $'000	Charged to consolidated profit or loss $'000	Overs / (Unders) $'000	Arising from changes in tax consolidation group $'000	Arising from business combinations $'000	Closing balance $'000
2024						
Deferred tax assets / (liabilities)						
Property, plant and equipment	(56,900)	4,146	-	15,252	(3,022)	(40,524)
Lease liabilities	18,318	(457)	-	-	-	17,861
Provisions and accruals	27,285	2,469	(2)	-	274	30,026
Right of use assets	(16,334)	594	-	-	-	(15,740)
Bed licences	(23,480)	23,480	-	-	-	-
Government grant income	(5,135)	5,135	-	-	-	-
Other	(1,863)	496	132	-	-	(1,235)
Total	**(58,109)**	**35,863**	**130**	**15,252**	**(2,748)**	**(9,612)**
Reflected in the Consolidated Statement of Financial Position as follows:						
Deferred tax assets	45,886					49,001
Deferred tax liabilities	(103,995)					(58,613)
Deferred tax liabilities, net	**(58,109)**					**(9,612)**
2023						
Deferred tax assets / (liabilities)						
Property, plant and equipment	(61,388)	3,536	-	-	952	(56,900)
Lease liabilities	18,736	(418)	-	-	-	18,318
Provisions and accruals	23,951	2,965	-	-	369	27,285
Right of use assets	(16,910)	576	-	-	-	(16,334)
Bed licences	(46,961)	23,481	-	-	-	(23,480)
Government grant income	-	(5,135)	-	-	-	(5,135)
Other	(1,393)	(506)	-	-	36	(1,863)
Total	**(83,965)**	**24,499**	-	-	**1,357**	**(58,109)**
Reflected in the Consolidated Statement of Financial Position as follows:						
Deferred tax assets	42,919					45,886
Deferred tax liabilities	(126,884)					(103,995)
Deferred tax liabilities, net	**(83,965)**					**(58,109)**

10. CASH AND CASH EQUIVALENTS

	2024 $'000	2023 $'000
Cash at bank	123,077	23,109
Cash on hand	77	65
Total cash and cash equivalents	**123,154**	**23,174**

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

CASH FLOW RECONCILIATION

	2024 $'000	2023 $'000
Loss for the year	(9,198)	(71,483)
Adjustments to reconcile profit after income tax to net cash flows:		
Depreciation of property, plant and equipment	42,930	40,127
Depreciation on right of use assets	4,367	4,336
Amortisation of bed licences and other intangible assets	81,315	81,471
Write-off of other intangible assets	66	-
Impairment of property, plant and equipment	-	11,448
Write-off of capitalised construction costs	-	554
Gain arising from change in fair value of investment properties	-	(100)
Imputed revenue on RAD and bond balances	55,354	41,242
Imputed interest cost on RAD and bond balances	(55,354)	(41,242)
Income tax benefit	(26,319)	(25,346)
Finance costs	28,286	25,696
Professional service expense	-	29,512
Share-based payments	-	1,426
Movement in allowance for expected credit losses	822	34
(Increase) / Decrease in:		
Trade and other receivables	17,063	(16,362)
Prepayments and other assets	873	2,518
(Decrease) / Increase in:		
Trade and other payables	18,255	1,530
Provisions	7,639	9,845
Refundable accommodation deposits and bonds	133,282	83,275
Net cash flows from operating activities	**299,381**	**178,481**

11. TRADE AND OTHER RECEIVABLES

	2024 $'000	2023 $'000
Trade receivables	9,186	7,182
Allowance for expected credit losses	(1,691)	(1,001)
Net trade receivables	7,495	6,181
Other receivables	1,200	1,791
COVID grants receivable	-	19,099
Total trade and other receivables	**8,695**	**27,071**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Allowance for expected credit loss

	2024 $'000	2023 $'000
Balance as at 1 July	1,001	967
Net remeasurement of allowance for expected credit losses	822	49
Utilised	(132)	(15)
Balance as at 30 June	**1,691**	**1,001**

12. ASSETS HELD FOR SALE

	2024 $'000	2023 $'000
Assets held for sale	1,875	-
Total assets held for sale	**1,875**	-

The balance as at 30 June 2024 represents an aged care home in Bendigo which was closed and is held for sale following the relocation of its existing operations to the newly acquired Royal Freemasons homes in October 2023.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Note	Land $'000	Buildings $'000	Property improve-ments $'000	Furniture, fixtures & equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost								
Balance as at 1 July 2022		190,443	563,915	93,560	151,626	982	24,196	1,024,722
Additions		2,975	14,222	4,556	15,145	-	46,645	83,543
Additions through business combinations	19	25,100	43,934	-	10,565	157	-	79,756
Transfers		449	-	7,950	3,177	-	(11,576)	-
Disposals		-	-	(397)	(3,013)	-	(554)	(3,964)
Balance as at 30 June 2023		**218,967**	**622,071**	**105,669**	**177,500**	**1,139**	**58,711**	**1,184,057**
Additions		-	290	6,610	14,033	34	56,496	77,463
Additions through business combinations	19	4,400	29,183	-	6,156	131	-	39,870
Transfers to PPE		14,117	75,018	2,413	12,245	102	(103,895)	-
Transfer to asset-held-for-sale		(2,250)	(4,959)	(666)	(1,094)	-	-	(8,969)
Disposals		-	(1,002)	(418)	(4,309)	(6)	-	(5,735)
Balance as at 30 June 2024		**235,234**	**720,601**	**113,608**	**204,531**	**1,400**	**11,312**	**1,286,686**
Accumulated depreciation and impairment								
Balance as at 1 July 2022		**934**	**77,269**	**19,377**	**86,159**	**640**	**-**	**184,379**
Impairment expense		428	8,762	1,013	1,245	-	-	11,448
Depreciation expense		-	13,557	6,864	19,530	176	-	40,127
Disposals		-	-	(356)	(2,850)	-	-	(3,206)
Balance as at 30 June 2023		**1,362**	**99,588**	**26,898**	**104,084**	**816**	**-**	**232,748**
Depreciation expense		-	14,747	7,229	20,854	100	-	42,930
Transfer to asset-held-for-sale		(428)	(5,334)	(658)	(674)	-	-	(7,094)
Disposals		-	(966)	(377)	(4,157)	(6)	-	(5,506)
Balance as at 30 June 2024		**934**	**108,035**	**33,092**	**120,107**	**910**	**-**	**263,078**
Net book value								
As at 30 June 2023		**217,605**	**522,483**	**78,771**	**73,416**	**323**	**58,711**	**951,309**
As at 30 June 2024		**234,300**	**612,566**	**80,516**	**84,424**	**490**	**11,312**	**1,023,608**

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Goodwill $'000	Bed licences $'000	Others $'000	Total $'000
Cost					
Balance as at 1 July 2022		817,071	221,281	10,522	1,048,874
Additions		-	-	221	221
Additions through business combinations*	19	36,351	-	-	36,351
Balance as at 30 June 2023		**853,422**	**221,281**	**10,743**	**1,085,446**
Additions		-	-	292	292
Additions through business combinations	19	15,308	-	-	15,308
Write-offs and disposals		-	-	(408)	(408)
Balance as at 30 June 2024		**868,730**	**221,281**	**10,627**	**1,100,638**
Accumulated amortisation and impairment					
Balance as at 1 July 2022		**136,059**	**60,349**	**7,245**	**203,653**
Amortisation expense		-	80,466	1,005	81,471
Balance as at 30 June 2023		**136,059**	**140,815**	**8,250**	**285,124**
Amortisation expense		-	80,466	849	81,315
Write-offs and disposals		-	-	(276)	(276)
Balance as at 30 June 2024		**136,059**	**221,281**	**8,823**	**366,163**
Net book value					
As at 30 June 2023		**717,363**	**80,466**	**2,493**	**800,322**
As at 30 June 2024		**732,671**	**-**	**1,804**	**734,475**

**Amount has been restated following finalisation of the purchase price allocation for Mount Clear. Refer to Note 19 for further details.*

15. LEASES

The Group has lease agreements for various residential aged care homes, office space and office equipment with varying lease terms. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2024 $'000	2023 $'000
Balance as at 1 July	54,446	56,367
Additions	206	388
Depreciation expense	(4,367)	(4,336)
Remeasurement of leases	2,182	2,027
Others	678	-
Balance as at 30 June	**53,145**	**54,446**

Presented below is a maturity analysis of future lease payments:

	2024 $'000	2023 $'000
Not later than 1 year	5,743	5,458
Later than 1 year and not later than 5 years	22,351	20,626
Later than 5 years	46,386	51,316
Total	**74,480**	**77,400**
Lease liabilities included in the consolidated statement of financial position:		
Current	3,980	3,724
Non-current	55,555	57,336
Total	**59,535**	**61,060**

The Group had low-value leases relating to office equipment such as printers and photocopiers. An amount of $567,000 (2023: $455,000) was recognised as an expense during the year.

Under its lease agreements, the Group incurs expenditure in relation to insurance, council and water rates, and water consumption. The Group recognised an amount of $557,000 (2023: $417,000) as an expense during the year.

16. TRADE AND OTHER PAYABLES

	2024 $'000	2023 $'000
Trade creditors	16,080	14,806
Payroll liabilities	31,180	17,925
Sundry creditors and accruals	23,795	21,505
Total trade and other payables	**71,055**	**54,236**

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

17. LOANS AND BORROWINGS

	2024 $'000	2023 $'000
Intercompany tax payable / (receivable)	36,858	(355)
Related party loans payable – current	361,991	371,601
Total related party loans payable - current	**398,849**	**371,246**
Related party loans payable - non-current	-	70,000
Total related party loans payable – non-current	**-**	**70,000**

18. PROVISIONS

	2024 $'000	2023 $'000
Current		
Annual leave provision	50,761	46,148
Long service leave provision	26,908	25,667
Workcover provision	2,143	1,610
Total current provisions	**79,812**	**73,425**
Non-current		
Long service leave provision	6,509	5,513
Workcover provision	4,295	3,807
Make good provision	678	-
Total non-current provisions	**11,482**	**9,320**
Total provisions	**91,294**	**82,745**

Movements of workcover provisions

	2024 $'000	2023 $'000
Balance as at 1 July	5,417	5,702
Net charge during the year	4,556	3,289
Utilised during the year	(3,535)	(3,629)
Transfer during the year	-	55
Balance as at 30 June	**6,438**	**5,417**

19. BUSINESS COMBINATIONS

2024

Royal Freemasons Acquisition

On 3 October 2023, the Group acquired the freehold land and business operations of two residential aged care homes from Royal Freemasons Victoria (the "Royal Freemasons Acquisition"). The two homes which are in Victoria are located at Kangaroo Flat – Bendigo (144 operating places) and Benalla (120 operating places). The homes, which were constructed in 2017 and 2019 (respectively), enabled the Group to increase its investment in, and commitment to, regional Victoria through the acquisition of high-quality modern aged care homes.

The recognised amounts for the business combination are outlined below. Accounting for the business combination is based on information available at reporting date and is provisional because the identification and fair value measurement of the assets and liabilities remains ongoing.

	$'000
Property, plant and equipment	39,870
Deferred tax liabilities, net	(2,748)
Consumable supplies	154
Other current assets	3
Refundable accommodation deposits and bonds	(31,297)
Employee liabilities (current)	(804)
Employee liabilities (non-current)	(106)
Fair value of identifiable net assets	**5,072**
Goodwill arising	**15,308**
Business combination date fair value of consideration transferred	**20,380**
Cost of the combination:	
Purchase consideration paid in cash	17,380
Deferred consideration to be paid	3,000
Business acquisition related costs	3,111
Total cost of the combination	**23,491**

Provisional goodwill of $15,308,093 arising from the Royal Freemasons Acquisition represents the excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities acquired. None of the goodwill recognised is expected to be deductible for income tax purposes.

These two Royal Freemason homes contributed $26,274,000 to revenue and $2,928,000 to profit before tax for the Group from the date of acquisition to 30 June 2024.

19. BUSINESS COMBINATIONS (CONT'D)

2023

Premier Health Acquisition

On 1 December 2022, the Group acquired the freehold sites and operations ("Premier Health Acquisition") of four residential aged care homes from Premier Health Care comprising two homes in South Australia and two homes in Queensland (the "Premier Homes"). The homes align with the Group's existing operating clusters and added 409 resident places in high quality aged care homes. The acquisition provides a number of strategic benefits consistent with the Group's growth strategy.

The amounts for the Premier Health Acquisition have been finalised and are disclosed as follows:

	$'000
Property, plant and equipment	79,756
Deferred tax assets, net	933
Consumable supplies	250
Other current assets	210
Refundable accommodation deposits and bonds	(46,883)
Employee liabilities (current)	(903)
Employee liabilities (non-current)	(80)
Other current liabilities	(99)
Fair value of identifiable net assets	**33,184**
Goodwill arising	**27,289**
Business combination date fair value of consideration transferred	**60,473**
Cost of the combination:	
Purchase consideration paid in cash	60,473
Business acquisition related costs	6,490
Total cost of the combination	**66,963**

Goodwill of $27,289,000 arising from the Premier Health Acquisition represents the excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities acquired. None of the goodwill recognised is expected to be deductible for income tax purposes.

Premier Homes contributed $23,601,000 to revenue and $1,947,000 to profit before tax for the Group from the date of acquisition to 30 June 2023.

<u>Transactions separate to the Premier Health Acquisition</u>

Separate to the Premier Health Acquisition, the Group entered into contractual agreements to acquire two additional development sites located in South Australia from Premier Health Care for consideration totalling $10,000,000 exclusive of GST. The acquisitions of the two additional sites were assessed to be separate transactions from the Premier Health Acquisition and were completed in July 2023 and October 2023.

19. BUSINESS COMBINATIONS (CONT'D)

Mount Clear Acquisition

On 1 May 2023, the Group completed the acquisition of a freehold site, residential aged care home, and 100% of the equity interest in OC Health Ballarat Pty Limited from OC Health Pty Limited. The acquisition, referred to as the Mount Clear Acquisition, encompasses a fully operational home situated in Mount Clear, Victoria, which includes 120 operating places.

The Group had previously accounted for the business combination based on information on a provisional basis because the identification and fair value measurement of the acquired assets and liabilities was incomplete.

The amounts for the Mount Clear Acquisition have now been finalised and are presented below:

	$'000
Cash and cash equivalents	11,302
Property, plant and equipment	20,482
Deferred tax assets, net	423
Consumable supplies	33
Other current assets	59
Refundable accommodation deposits and bonds	(13,311)
Employee liabilities (current)	(234)
Employee liabilities (non-current)	(14)
Income tax liabilities	(491)
Other current liabilities	101
Fair value of identifiable net assets	**18,350**
Goodwill arising	9,062
Business combination date fair value of consideration transferred	**27,412**
Cost of the combination:	
Purchase consideration paid in cash	**27,412**
Less: Net cash acquired with the acquiree	(11,302)
Net cash outflow as a result of the business combination	**16,110**
Acquisition costs	2,057
Total cost of the combination	**18,167**

Goodwill of $9,062,000 arising from the Mount Clear Acquisition represents the excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities acquired. None of the goodwill recognised is expected to be deductible for income tax purposes.

Mount Clear contributed $2,017,000 to revenue and $259,000 to profit before tax for the Group from the date of acquisition to 30 June 2023.

20. FAIR VALUE MEASUREMENT

	2024 $'000	2023 $'000
Investment properties	580	850
Total	**580**	**850**

There were no transfers between levels during the financial year.

Investment properties

The Group's investment properties comprise Independent Living Units ("ILUs") which are occupied by residents who have contributed a non-interest-bearing loan to occupy the ILUs. The resident vacates the property based on the applicable State-based Retirement Village Acts. These investment properties are measured at fair value, which is determined based on a valuation model recommended by the International Valuation Standards Committee that uses unobservable inputs (level 3 in fair value hierarchy) at the reporting date:

	2024	2023
Unobservable inputs		
Discount rate	20.00%	16.50%
Growth rate	2.26%	4.30%
Cash flow term	10 years	50 years

21. REFUNDABLE ACCOMMODATION DEPOSITS AND BONDS

	2024 $'000	2023 $'000
Current residents	1,047,686	890,292
Departed residents	144,430	137,245
Total refundable accommodation deposits and bonds – amounts received	**1,192,116**	**1,027,537**

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

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

To ensure that funds are readily available when required, the minimum level of funds chosen by the Group are met by cash balances and undrawn lines of credit under its existing financing facilities.

RADs and Bonds are classified as a current liability as the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date. The total RAD and Bond liability represents the sum of separate payments from a significant number of individual residents in different locations with differing circumstances and frequently a departing RAD-paying or 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.

22. ISSUED CAPITAL

Issued capital

	2024 $'000	2023 $'000
Issued and fully paid		
Ordinary shares	455,987	455,987
Total share capital	**455,987**	**455,987**

Movements in ordinary shares on issue

	2024		2023	
	Number of shares	$'000	Number of shares	$'000
Beginning of the financial year	455,987,003	455,987	455,987,003	455,987
End of the financial year	**455,987,003**	**455,987**	**455,987,003**	**455,987**

The ordinary shares have no par value and there is no limit on authorised capital.

Dividends

The Directors determined not to declare a final dividend for the year end 30 June 2024 (2023: Nil).

23. RELATED PARTY DISCLOSURES

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2024	Ownership interest 2023
Estia Health Pty Ltd	Immediate parent entity	Australia	100%	100%
Estia Health TopCo Pty Ltd	Ultimate Australian parent entity	Australia	100%	-
Bain Capital Fund V, L.P	Ultimate parent entity	USA	100%	-

(b) Subsidiaries

Note 26 provides the information about the Group's structure including the details of the subsidiaries.

(c) Key management personnel compensation

Compensation expense of key management personnel amounted to $4,572,000 during the year ended 30 June 2024 (2023: $4,360,000).

23. RELATED PARTY DISCLOSURES (cont'd)

(d) Transactions with related parties

Note 17 provides the information about the loans to related parties. Interest expense incurred for these loans amounted to $27,273,000 (2023: $27,001,000).

Sustainability Linked Syndicated Financing Agreement

The Group was a party to the Estia Health and its subsidiaries $330,000,000 Sustainability Linked Syndicated Financing Agreement ("SLSFA"). Under the terms of the SLSFA, the Group pledged a majority of its freehold property and material lease interests as security. The SLSFA was repaid and discharged in full on 15 December 2023.

Bank guarantee facility

The Group was a party to a separate Guarantee Facility ("Guarantee Facility") between Estia Health and its subsidiaries with Westpac Banking Corporation which was used to secure bank guarantees for the benefit of the Company up to the value of $15,100,000. This Guarantee Facility was extinguished in connection with the discharge and repayment of the SLSFA.

BidCo Syndicated Facility Agreement

On 9 February 2024, the Group became a party to a $670,000,000 BidCo Syndicated Facility Agreement (SFA). Under the terms of the SFA, the Group pledged the majority of its freehold property and material lease interests as security.

Bank guarantees on issue for the benefit of the Group from 15 December 2023 were initially secured under the SFA and were subsequently secured from 6 June 2024 under a separate Guarantee Facility (New Guarantee Facility) with Westpac Banking Corporation.

Licensing agreement with Estia Health Pty Ltd

Under the terms of the licensing agreement entered into by the Company and Estia Health Pty Ltd, the Company pays a licence fee in exchange for the rights to utilise the Estia Health Brand and associated intellectual properties in the conduct of its business. The licence fee was determined after taking into consideration a range of comparable licensing arrangements between non-related market participants and the specific circumstances applicable to the arrangements between the Company and Estia Health Pty Ltd. For the year ended 30 June 2024, the Company incurred a licence fee of $38,148,000 (2023: $29,512,000).

24. COMMITMENTS AND CONTINGENCIES

During the year, the Group entered into contracts relating to the development of aged care homes of which there were remaining capital commitments at 30 June 2024 of $6,933,000 (2023: $24,495,000).

25. AUDITOR REMUNERATION

	2024 $'000	2023 $'000
Fees to the auditor for the statutory financial report	778	928
Fees for other services – Tax compliance	180	255
Fees for assurance services that are not required by legislation to be provided by the auditor	25	37
Total auditor remuneration	**983**	**1,220**

The auditor of Estia Investments Pty Ltd and its subsidiaries is Ernst & Young.

26. INFORMATION RELATING TO SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of Estia Investments Pty Ltd and the following controlled entities, that were held in both current and prior period unless otherwise stated:

	Country of incorporation	% Owned 2024 %	2023 %
Estia Health Residential Aged Care Pty Ltd	Australia	100%	100%
OC Health Ballarat Pty Limited[1]	Australia	-	100%

All entities are body corporates and are Australian tax resident during and at the end of the financial year.

[1] The entity's operations, assets and liabilities were transferred to Estia Investments Pty Ltd immediately after acquisition. The entity was deregistered on 20 December 2023.

27. PARENT ENTITY INFORMATION

	2024 $'000	2023* $'000
Information relating to Estia Investments Pty Ltd		
Current assets	139,395	56,736
Non-current assets	1,812,209	1,807,224
Total assets	**1,951,604**	**1,863,960**
Current liabilities	1,746,213	1,531,255
Non-current liabilities	76,649	194,765
Total liabilities	**1,822,862**	**1,726,020**
Net assets	**128,742**	**137,940**
Issued capital	455,987	455,987
Deemed contributions	3,829	3,829
Accumulated losses	(331,074)	(321,876)
Total shareholders' equity	**128,742**	**137,940**
Loss for the year	(9,198)	(71,483)
Total comprehensive loss for the year	**(9,198)**	**(71,483)**

**Amounts have been restated following finalisation of the purchase price allocation for Mount Clear. Refer to Note 19 for further details.*

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 which are carried at cost.

27. PARENT ENTITY INFORMATION (cont'd)

Deed of cross guarantee

Estia Health Group Deed

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Estia Health Pty Ltd, on 16 June 2021, entered into a deed of cross guarantee with the following controlled entities:

- Estia Finance Pty Ltd
- Estia Investments Pty Ltd
- Estia Health Residential Aged Care Pty Ltd

Estia Health HoldCo Deed

On 15 December 2023, a deed of cross guarantee was entered into between Estia Health HoldCo Pty Ltd and each of its controlled entities:

- Estia Health BidCo Pty Ltd
- Estia Health Pty Ltd
- Estia Finance Pty Ltd
- Estia Investments Pty Ltd
- Estia Health Residential Aged Care Pty Ltd

Concurrent with entering into this deed, a deed of revocation was entered into by Estia Health Pty Ltd and the entities under the previous deed of cross guarantee. As a result, the previous deed of cross guarantee ceased to be in effect.

The effect of each deed is that Estia Health Pty Ltd (pre-acquisition) and Estia Health HoldCo Pty Ltd (post-acquisition) 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 HoldCo Pty Ltd 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 *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to these entities from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

28. SUBSEQUENT EVENTS

On 1 July 2024, the Company's ultimate Australian parent entity, Estia Health TopCo Pty Ltd (TopCo), resolved to approve a Management Equity Plan (MEP) for certain members of the Group's leadership team (the Participants).

Shares issued under the MEP were funded by limited recourse loans entered into between Estia Health and the Participants. On 12 July 2024, Estia Health funded $22.14 million under the terms of the limited recourse loans and TopCo issued 22,137,000 Class A MEP Shares to the Participants.

Other than the matter noted above, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Estia Investments Pty Ltd, I state that in the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2024 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 2024 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards – Simplified Disclosures (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 2 to the financial statements; 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 27 to 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 Corporations (Wholly-owned Companies) Instrument 2016/785*.

On behalf of the Board

Norah Barlow ONZM

Director
24 September 2024

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Independent Auditor's Report to the Members of Estia Investments Pty Ltd

Opinion

We have audited the financial report of Estia Investments Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including material accounting policy information, 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 2024 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Simplified Disclosures 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 (including Independence Standards)* (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.

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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, 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 – Simplified Disclosures 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 judgement 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.

Ernst & Young

Brett Croft
Partner

Melbourne
24 September 2024