SECTION E: OTHER INFORMATION

E1
COMMITMENTS AND CONTINGENCIES

Capital commitments

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

Bank guarantees

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

Contingent asset – Government grants

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

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

SECTION E: OTHER INFORMATION (CONTINUED)

E4
CHANGES IN ACCOUNTING POLICY

Changes in accounting policy, disclosures, standards and interpretations

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

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

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

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

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

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

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

Impact of change in accounting policy

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

Consolidated statement of financial position

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

SECTION E: OTHER INFORMATION (CONTINUED)

E4
CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy (Continued)

Consolidated statement of comprehensive income

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

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

Consolidated statement of cash flows

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

New and Amended Accounting Standards and Interpretations

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

Standards issued but not yet effective

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

DIRECTORS' DECLARATION

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

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

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

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

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

On behalf of the Board

Dr. Gary H Weiss AM

Chairman

Sydney

22 February 2022

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

Report on the Half-Year Financial Report

Conclusion

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

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

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

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

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

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

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

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

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

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
Melbourne
22 February 2022