Allity Pty Ltd

ACN 143 413 638

Annual Financial Report

For the year ended 30 June 2022

Contents

DIRECTORS' REPORT

The directors of Allity Pty Ltd (the Group and its controlled entities) present their Directors' Report together with the financial statements for the year ended 30 June 2022. The comparative period is for the year ended 30 June 2021. The Directors Report is prepared in accordance with the Corporations Act 2001 as follows:

Directors

The Directors of Allity Pty Limited who held office for the financial year ended 30 June 2022 are set out below. For each Director, their attendance at Director's meetings held during the course of the year were as follows:

- Stephen Muggleton (appointed 28 February 2022) - attended 1 of a possible 1 meeting;
- Stuart Lummis (appointed 28 February 2022) - attended 1 of a possible 1 meeting.
- David Armstrong (resigned 28 February 2022) - no meetings held during the term of office.
- Gordon Ford (resigned 28 February 2022) - no meetings held during the term of office.
- Benjamin Frewin (resigned 28 February 2022) - no meetings held during the term of office.
- Julia Strickland-Bellamy (resigned 28 February 2022) - no meetings held during the term of office.
- Glen Hurley (resigned 28 February 2022) - no meetings held during the term of office.
- Tomás Campos Chubb (resigned 28 February 2022) - no meetings held during the term of office.

There was 1 directors meeting within the year.

Nature of Operations and Principal Activities

The principal activities of Allity Pty Ltd consisted of the management and operation of residential aged care facilities (Homes) which provide care and accommodation for eligible individuals. The Group also continued with the operation and management of senior living facilities in retirement village configuration.

There has been no significant change in the nature of those activities during the year.

Review of Operating Results

In financial year ended 30 June 2022, the Group reported a loss after income tax of $11.4m (2021: $14.2m profit).

A summary of results for the year is set out below:

	2022 $'000	2021 $'000
EBITDA	43,202	49,342
Net interest expense/(income)	(15,189)	(16,532)
Depreciation and amortisation	(43,949)	(12,666)
(Loss)/profit before income tax	**(15,936)**	**20,144**
Income tax credit/(expense)	4,532	(5,913)
(Loss)/profit after income tax	**(11,404)**	**14,231**

Significant Transactions

There were no significant transactions in the financial year and the Group's principal activities remain unchanged, except for the following:

(i) On 28 February 2022 the Group was acquired by RSL Care RDNS Limited.

(ii) Due to changes in Australian Government regulations operational bed licenses will be discontinued from 1 July 2024. Hence The Group commenced amortising the value of the bed licenses in the financial year resulting in an expense of $34,028,000.

COVID-19

The Group cares for those members of the community who are most vulnerable to the COVID-19 virus. Early and strict application of infection control measures including personal protective equipment, infection control training, increased cleaning, visitation restrictions, outbreak simulations, compulsory flu vaccinations for staff and access to COVID-19 vaccination clinics enabled the Group to limit the impacts of COVID-19 infections. These enhanced protection measures however came at significant additional cost of $23,195,000 (2021: $16,712,000).

Likely Developments

Allity continues to redevelop and improve its existing aged care homes, however no major new developments are planned for the year ending 30 June 2023.

Going concern

The Group has a net current asset deficiency of $866,816,000 (2021: $180,390,000). This largely arises because refundable accommodation deposits (RADs) and independent living unit entry contributions, totalling $905,462,000 (2021: $889,067,000), are classified in full as a current liability, whereas the assets to which the loans and RADs relate (land, buildings and retirement village assets), are classified as non-current assets. Independent living unit entry contributions and RADs are classified as a current liability because The Group does not have an unconditional right to defer settlement of resident entry contributions or RADs for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that the resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from operating activities $243,882,000 (2021: $235,083,000) of resident entry contributions and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $259,138,000 (2021: $252,984,000). The Group recorded cash inflows from operating activities of $12,956,000 (2021: $26,308,000).

In addition, The Group has a liquidity management strategy in place that requires a minimum level of available liquidity of $50,000,000 to be held, to ensure that refunds can be paid as and when they fall due. This is 5.6% (2021: 5.7%) of the RADs liability of $900,026,000 (2021: $883,785,000) at year end. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that The Group adheres to the Liquidity Management Strategy.

The ultimate holding company of the Group RSL Care RDNS Limited (RSL Care) has provided a letter of support stating it will provide adequate financial support to the Group to enable it to continue operations and to meet its obligations as and when they fall due for a period of 12 months from the date of signing the Group's 30 June 2022 financial statements. RSL Care will not demand repayment of any monies owing from the Group as at 30 June 2022 (or at a later date) to RSL Care during this 12 month period that would prejudice the Group's ability to continue operations.

After considering all available current information, the Directors have concluded that there are reasonable grounds to believe that The Group will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

Significant Events after Balance Sheet Date

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that is expected to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group. The impact of Covid-19 on operations continues to be well managed by the Group.

Insurance of Officers

During the financial year The Group has paid an insurance premium insuring the Directors and Officers of the Group under a Directors' and Officers' Liability insurance policy against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director or officer of The Group. A condition of such insurance contract is that the nature of the liability, the premium payable and certain other details of the policy are not to be disclosed.

Environmental Regulation and Performance

The Group's operations are subject to environmental regulations under relevant local laws, and local Council policies and relevant State and Federal Government legislation in relation to development and operating activities.

No environmental breaches have been notified by any government agency during the financial year ended 30 June 2022.

Economic Dependency

The Group is dependent on government funding under the Aged Care Act 1997 (C'th) for the operations of its homes.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under the Corporations Act 2001 is set out on page 6. Non-audit services were not provided by the Group's auditor, Deloitte Touche Tohmatsu.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Deloitte Touche Tohmatsu, 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 Deloitte Touche Tohmatsu during or since the financial year.

Rounding of Amounts

The Group is a kind referred to in Class order 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the Directors and section 298 (2) of the Corporations Act 2001.

Stephen Muggleton
26 October 2022
Brisbane Queensland

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The Board of Directors
Allity Pty Ltd
Level 3, 44 Musk Avenue
Kelvin Grove Qld 4059

26 October 2022

Dear Board Members

Allity Pty Ltd

In accordance with 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Allity Pty Ltd.

As lead audit partner for the audit of the financial report of the Allity Pty Ltd for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Vanessa de Waal
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 Restated* $'000
Revenue			
Government funding		267,346	279,693
Resident fees		126,384	110,845
Imputed revenue on RAD balances		31,514	31,579
Other		6,384	11,759
Total revenue		431,628	433,876
Other income			
Interest income		19,159	17,587
Total revenue and other income		**450,787**	**451,463**
Expenses			
Staff expense		(290,402)	(280,080)
Resident expenses		(32,360)	(33,127)
Occupancy expenses		(49,589)	(49,386)
Administration expenses		(15,292)	(16,444)
Depreciation	5	(9,921)	(12,666)
Amortisation	5	(34,028)	-
Finance cost	5	(34,348)	(34,119)
Loss on sale of assets		-	(2,391)
Fair value decrement on retirement village assets		(783)	-
Asset impairment		-	(3,106)
(Loss)/profit before income tax		**(15,936)**	**20,144**
Income tax credit/(expense)	6	4,532	(5,913)
(Loss)/Profit after income tax		**(11,404)**	**14,231**
Other comprehensive income		-	-
Total Comprehensive (Loss)/Income for the year		**(11,404)**	**14,231**

The above consolidated statement of comprehensive income is to be read in conjunction with the attached Notes.

* Refer to Note 2 (s) "Prior period restatement"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 Restated* $'000
Assets			
Current assets			
Cash and cash equivalents	7	53,263	36,380
Trade and other receivables	8	9,228	730,180
Other current assets		3,044	2,804
Assets held for sale	23	-	2,670
Total current assets		**65,535**	**772,034**
Non-current assets			
Receivables	8	685,924	-
Property, plant and equipment	9	57,019	56,659
Investment property	11	10,967	12,133
Right of use assets	10	2,645	3,748
Other non current assets		99	276
Intangible assets	12	182,953	216,981
Total non-current assets		**939,607**	**289,797**
Total assets		**1,005,142**	**1,061,831**
Liabilities			
Current liabilities			
Trade and other payables	14	25,514	22,718
Other financial liabilities	15	905,462	889,067
Lease liabilities	16	1,339	1,323
Provisions	17	36	36,534
Liabilities associated with assets held for sale	23	-	2,782
Total current liabilities		**932,351**	**952,424**
Non-current liabilities			
Provisions	17	-	4,684
Lease liabilities	16	1,865	3,204
Deferred tax liabilities	18	4,982	16,815
Total non-current liabilities		**6,847**	**24,703**
Total liabilities		**939,198**	**977,127**
Net assets		**65,944**	**84,704**
Equity			
Contributed equity	19	44,126	44,126
Retained earnings		21,818	40,578
Total equity		**65,944**	**84,704**

The above consolidated statement of financial position is to be read in conjunction with the attached Notes.

* Refer to Note 2 (s) "Prior period restatement"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity	Accumulated Profits/(Losses) Restated*	Total equity
	$'000	$'000	$'000
Balance at 30 June 2020 as previously reported	**44,126**	**38,506**	**82,632**
Prior period restatement	**-**	**(1,109)**	**(1,109)**
Balance at 30 June 2020 as restated	**44,126**	**37,397**	**81,523**
Profit for the period	-	14,231	14,231
Dividends paid	-	(11,050)	(11,050)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,181	3,181
Balance at 30 June 2021 as restated	**44,126**	**40,578**	**84,704**
Loss for the period	-	(11,404)	(11,404)
Dividends paid	-	(7,356)	(7,356)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year	-	(18,760)	(18,760)
Balance at 30 June 2022	**44,126**	**21,818**	**65,944**

The above consolidated statement of changes in equity is to be read in conjunction with the attached Notes.

* Refer to Note 2 (s) "Prior period restatement"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 Restated* $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		395,404	381,715
Payments to suppliers and employees		(379,947)	(353,423)
Interest received		316	258
Interest paid		(2,817)	(2,242)
Net cash inflows from operating activities		**12,956**	**26,308**
Cash flows from investing activities			
Payments for plant and equipment		(8,792)	(4,211)
Payments for intangibles		-	(1,295)
Proceeds from disposals of intangibles		-	909
Payments for retirement village units		(280)	(2,233)
Net cash outflows used in investing activities		**(9,072)**	**(6,830)**
Cash flows from financing activities			
(Payments)/proceeds on behalf of related party		6,423	(41,880)
Repayment of lease liabilities		(1,323)	(1,156)
RAD, Accommodation bond and ILU entry contribution inflows		259,138	252,984
RAD, Accommodation bond and ILU entry contribution outflows		(243,882)	(235,083)
Dividends paid		(7,357)	(11,050)
Net cash inflows/(outflows) used in financing activities		**12,999**	**(36,185)**
Net increase/(decrease) in cash and cash equivalents held		**16,883**	**(16,707)**
Cash and cash equivalents held at the beginning of the year		36,380	53,087
Cash and cash equivalents at the end of the year	7	**53,263**	**36,380**

The above consolidated statement of cash flows is to be read in conjunction with the attached Notes.

* Refer to Note 2 (s) "Prior period restatement"

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

The consolidated financial statements of Allity Pty Ltd and its subsidiaries (collectively, the Group) for the year ended 30 June 2022 were issued in accordance with a resolution of directors on 26 October 2022. Allity Pty Ltd is a proprietary company incorporated in Australia under the Corporations Act 2001.

The registered office of Allity Pty Ltd is located at Level 3, 44 Musk Avenue, Kelvin Grove, Queensland 4059.

The principal activities of the Group consisted of the management, ownership and development of residential aged care facilities (Homes) which provide care and accommodation for eligible individuals. The Group continues the operation, ownership and also continued with the development of senior living facilities in retirement village configuration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report for the year ended 30 June 2022 which has been prepared in accordance with the *Corporations Act 2001* , Australian Accounting Standard*s* and other authoritative pronouncements of the Australian Accounting Standards Board. All amounts are reported on a historical cost basis, except for certain assets and liabilities, including retirement villages classified as investment properties that are carried at fair value through the profit and loss.

The financial report is presented in Australian dollars. The Group is a kind referred to in Class order 2016/191, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the Directors’ report and financial report. Amounts in the Directors report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order. Audit Remuneration and Key Management Personnel disclosures are not permitted to be rounded. To enhance comparability with current year disclosures, certain comparative amounts in the financial statements have been reclassified.

b) Statement of Compliance

The Group is a for profit, private sector entity. The Group does not have "public accountability" as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and is therefore eligible to apply the "Tier 2" reporting framework under Australian Accounting Standards. The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those standards as modified by AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities (AASB 1060). Accordingly, the financial statements comply with the Australian Accounting Standards - Simplified Disclosures.

c) Going concern

The Group has a net current asset deficiency of $866,816,000 (2021: $180,390,000). This largely arises because refundable accommodation deposits (RADs) and independent living unit entry contributions, totalling $905,462,000 (2021: $889,067,000), are classified in full as a current liability, whereas the assets to which the loans and RADs relate (land, buildings and retirement village assets), are classified as non-current assets. Independent living unit entry contributions and RADs are classified as a current liability because The Group does not have an unconditional right to defer settlement of resident entry contributions or RADs for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that the resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from operating activities $243,882,000 (2021: $235,083,000) of resident entry contributions and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $259,138,000 (2021: $252,984,000). The Group has recorded cash inflows from operating activities of $12,956,000 (2021: $26,308,000).

In addition, The Group has a liquidity management strategy in place that requires a minimum level of available liquidity of $50,000,000 to be held, to ensure that refunds can be paid as and when they fall due. This is 5.6% (2021: 5.7%) of the RADs liability of $900,026,000 (2021: $883,785,000) at year end. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that The Group adheres to the Liquidity Management Strategy.

The ultimate holding company of the Group RSL Care RDNS Limited (RSL Care) has provided a letter of support stating it will provide adequate financial support to the Group to enable it to continue operations and to meet its obligations as and when they fall due for a period of 12 months from the date of signing the Group's 30 June 2022 financial statements. RSL Care will not demand repayment of any monies owing from the Group as at 30 June 2022 (or at a later date) to RSL Care during this 12 month period that would prejudice the Group's ability to continue operations.

After considering all available current information, the Directors have concluded that there are reasonable grounds to believe that The Group will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

d) New and amended standards adopted by The Group

Amendments to AASB's that are mandatorily effective for the current year

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include the following:

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Entities

The Group previously prepared general purpose financial statements under Tier 2 - Reduced Disclosures Requirements. There were no transition adjustments other than a few disclosure changes on the adoption of Australian Accounting Standards - Simplified Disclosures.

d) New and amended standards adopted by The Group (continued)

Other changes in accounting standards

There were a number of other changes to accounting standards during the year however none of these changes have a material impact on the Group.

e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Allity Pty Ltd and its subsidiaries as at and for the year ended 30 June 2022**.**

Subsidiaries are all those entities over which The Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all interGroup balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by The Group and cease to be consolidated from the date on which control is transferred out of The Group.

Investments in subsidiaries held by the Group are accounted for at cost less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable net assets acquired, the liabilities assumed and any non-controlling interest. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

f) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

f) Business combinations and goodwill

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of AASB 9, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

g) Revenue Recognition

The Group recognises revenue under AASB 15 Revenue from Contracts with Customers and 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 accordingly as those performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group.

(i) Aged Care Revenue

The Group is in the business of providing residential aged care to residents. The terms and conditions for discretionary and non-discretionary services are agreed within a single customer contract with the resident, which are enforceable primarily on a daily basis. Contracts with residents contain provision for accommodation, use of common areas/facilities, provision of care and other services. The Group recognises revenue over time as performance obligations are satisfied, which as is which as is the performance obligations are rendered, primarily on a daily or a monthly basis. Fees received in advance are of services performed are recognised as Unearned Revenue on the statement of financial position.

g) Revenue Recognition (continued)

Revenue includes the following categories based on the source of funding:

(a) Government funding

The Australian Government determines the amount of subsidy in accordance with the provisions of the Aged Care Act. In accordance with the Act the level of subsidy 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 subsidy is calculated as a daily rate and is payable each day that a resident is in a Home. The Group recognises government funding revenue over time as services are delivered.

(b) Resident fees

The Group receives Daily Fees in accordance with the Aged Care Act which are funded directly by the resident as a Basic Daily Fee which is set by the Government. The Basic Daily Fee is calculated as a daily rate and is payable by a resident for each day that a resident is in a Home. The Group also provides additional services and accommodation to residents that are funded directly by the resident, under mutually agreed terms and conditions. Revenue is recognised over time as services are delivered.

(ii) Retirement Villages - Deferred Management Fees (DMF)

Deferred Management Fees are earned in the retirement villages from owned facilities (Investment Property). A typical DMF contract provides for a retainer for a fixed period (e.g. 3% per annum of purchase or resale price for a period of up to 12 years, or up to 36% in total) plus a share of the capital gain realised on turnover.

DMF income is recognised on an accruals basis with the % DMF recognised as DMF income per annum being determined on a straight line basis over the expected length of stay. Both the % DMF and capital gain share are DMF income and are measured based on the expected term of the residents licence and estimates of capital growth since the resident first occupied the unit. The resulting DMF receivable is offset against the resident loans balance in current liabilities as they are net settled in the same future transaction.

(iii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(iv) Imputed revenue on RAD balances

For residents receiving residential care services under a refundable accommodation deposit (RAD) or accommodation bond arrangement, the Group has determined these arrangements are considered leases for accounting purposes under AASB 16 *Leases* with the Trust acting as lessor. 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 and a corresponding non-cash increase in finance costs on the outstanding RAD and accommodation bond balances, with no net impact on the result for the period.

h) Taxes

Allity Pty Ltd is part of a tax consolidated group with the head entity being Australian Aged Care Partners Holdings Pty Ltd (AACPH Tax Group). The AACPH Tax Group implemented the tax consolidation legislation as of 26 February 2013.

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.

Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the Australian Taxation Office based on the tax rates and laws used to compute the amount are those that are enacted or substantially 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 Comprehensive Income.

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.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it's probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of the deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it would be probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

h) Taxes (continued)

Deferred tax (continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustments is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Goods and Services Tax

Revenue, expenses and assets are recognised net of GST (Goods and Services Tax) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the item of expense.

The net amount of GST recoverable from or payable to the ATO is included as a current receivable in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

i) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, 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 repairs and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

General Plant & Equipment	2 to 20 years
Furniture & Fittings	5 to 100 years
Computer Equipment	3 to 20 years
Motor Vehicles	3 to 15 years

i) Property, Plant and Equipment (continued)

Assets are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units or CGUs).

The recoverable amount is the greater of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

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

The residual values, useful lives and methods of depreciation of property plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

Work in Progress represents projects not yet completed by the Group.

j) Right-of-use assets and lease liabilities

Leases in which the Group is a lessor

Management have evaluated Allity's contractual arrangements relating to the provision of aged care and retirement living accommodation and have determined such arrangements are an operating lease pursuant to AASB 16 Leases. It was concluded that a component of the contractual arrangement to provide Residential Aged Care includes an operating lease, being the exclusive right to use of a room by a resident. Other components of the Resident and Accommodation Agreement, including those relating to the use of common areas of the facility by the residents, are not lease arrangements pursuant to AASB 16.

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit (RAD), Allity receives a financing benefit in the form of an interest free loan. Interest expense is recognised (to impute an interest charge on RAD's) and correspondingly, lease revenue is also recognised (to reflect the interest free loan financing benefit received) with no net impact on profit and loss.

The application of AASB 16 for the year ending 30 June 2022 has been calculated based on:
- monthly average RAD/Bond balances; and
- interest rate equal to the Maximum Permissible Interest Rate (MPIR) at 4.02% between July to September 2021 (FY21: 4.1%), 4.01% between October 2021 to December 2021 (FY21: 4.02%), 4.04% January to March 2022 (FY21: 4.02%) and 4.07% April to June 2022 (FY21: 4.01%) which is a Government set interest rate used to calculate the Daily Accommodation payment to applicable residents.

The Group's Statement of Comprehensive Income presents Income of $31,514,000 and an additional Finance cost (i.e. interest expense) of $31,514,000, with nil net impact on net profit for the year.

j) Right-of-use assets and lease liabilities (continued)

Leases in which the Group is a Lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined The Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period presented.

j) Right-of-use assets and lease liabilities (continued)

Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever The Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 12.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Occupancy expenses” in profit or loss.

For a contract that contains a lease component and one or more additional non-lease components, The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group leases several assets including residential care facilities, office buildings, motor vehicles and IT equipment. The average lease term of the residential care facilities is 5 years (2021: 5 years) while the average lease term of the other assets is 5 years (2021: 5 years).

The total cash outflow for leases amounted to $1,323,000 (2021: $1,156,000).

k) Investment Properties

Investment property, principally comprising retirement villages, is held for long-term income yields and is not occupied by the Group.

The Group makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include:

- Whether the property generates property related cash flows largely independent of other services provided to residents of the properties;
- Whether the property is held for long-term capital appreciation rather than short term sale on the ordinary course of business; and
- The probable future use of land that is not currently generating cash flows.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at the current market value of each unit and the common areas of the property. Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Gains or losses arising from changes in the fair values of investment properties are included as other income in the profit or loss in the period in which they arise. This includes revaluation gains when a unit is transferred to a resident for the first time.

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

l) Intangible Assets

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is at 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, excluding capitalised development costs, are not capitalised and expenditure is reflected 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 infinite.

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

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

Gains or losses arising from the 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 profit or loss when the asset is derecognised.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets at the date of the acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried out at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 9 are classified as either being held at fair value or amortised cost after initial recognition. All assets are initially recognised at fair value. Any directly attributable transaction costs on acquisition are either recognised immediately in profit or loss (for financial assets at fair value) or added to the fair value of the financial asset (for all others). The Group determines the classification of its financial assets at initial recognition.

m) Financial Instruments

(i) Financial assets (continued)

Financial assets, which give rise to contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held by the Entity to collect these cash flows are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is a method of calculating the amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees, transaction costs and other premiums or discounts), through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial asset to the gross carrying amount on initial recognition. Interest income is recognised in profit or loss and is included in the "investment income" line item.

All other financial assets are measured subsequently at fair value through profit or loss. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Loans and other receivables

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

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

In calculating the allowance for expected credit loss, The Group applies judgements when identifying debtors with similar risk characteristics to group together in the provision matrix. The Group is also required to estimate the rate of allowance of expected credit loss for each group of debtor, which requires the use of historical rates of default and assumptions based on future economic conditions, that may materially impact on the ability to collect outstanding debtor balances.

Accommodation Bond Retentions

Accommodation bond retentions accrued represent amounts owed to the Group in connection with resident occupancy at aged care homes, and calculated in accordance with resident contracts, and relates to residents who entered Aged Care up to 30 June 2014.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has substantially transferred all of the risks and rewards of ownership.

m) Financial Instruments (continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 9 are classified as being held at fair value or amortised cost after initial recognition. All liabilities are initially recognised at fair value. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, resident liabilities, accommodation bonds, and loans and borrowings.

Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are held at amortised cost.

Accommodation Bonds and Refundable Accommodation Deposits (RADs)

Accommodation bonds are paid typically by residents of low care and extra service beds who first entered Aged Care prior to 1 July 2014. Refundable Accommodation Deposits (RADs) are paid by residents who entered Aged Care after 30 June 2014.

Accommodation Bond and RAD refunds are guaranteed by the Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure that they can refund Accommodation Bond and RAD balances as they fall due in the following 12 months. Providers are required to implement and maintain a liquidity management strategy.

Accommodation Bonds and RADs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to the short-term nature of RADs, their carrying value is assumed to approximate their fair value.

While Accommodation Bonds and RADs are classified as a current liability given the possible timeframe for repayment of an individual balance, it is unlikely that the Accommodation Bond and RAD liability will be significantly reduced over the next 12 months. However, as the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, it is classified as a current liability.

The Accommodation Bond and RAD liability is spread across a large portion of the Group's resident population and therefore the repayment of individual balances that make up the current balance will be dependant upon the actual tenure of the individual residents. Tenure can be more than 10 years but on average 2.92 years. Usually, but not always, when an existing Accommodation Bond or RAD is repaid it is replaced by a new RAD paid by the new incoming resident. Since the introduction of Accommodation Bonds in 1997 the trend within the Group and the aged care industry has been that the cash received in relation to the new RAD has been greater than the cash paid out in relation to the previous Accommodation Bond or RAD.

m) **Financial Instruments (continued)**

(ii) Financial liabilities (continued)

Resident Liabilities

This represents an amount paid by residents to occupy apartments and units classified as investment property. Resident liabilities are measured at face value, representing the principal amount plus the resident's share of capital gain based on market values of the underlying property at balance date, less accrued Deferred Management Fees.

Resident liabilities are non-interest bearing and are repayable out of the amounts paid by the incoming residents. Resident liabilities are classified as current liabilities because any resident may depart within 12 months.

n) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and cash held with financial institutions.

o) Accruals

Accruals are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and is certain that an outflow of resources embodying economic benefits will be required to settle the obligation.

p) Provisions

Wages, Salaries and Annual leave

Salaries and annual leave provisions are measured at their nominal amounts, regardless of whether they are expected to be settled within 12 months of balance date. Annual Leave provisions are recognised in respect of employees' services up to the reporting date.

Long Service Leave

The liability for Long Service 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 Milliman rates at the reporting date.

Superannuation

Superannuation is paid to employees based on statutory rates or employment contracts where applicable. All staff are members of a defined contribution fund which receive fixed contributions from The Group and the Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payment is available.

q) Fair Value

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

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

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

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

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

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

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

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

-Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

-Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

-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.

r) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have been re-classified for consistency where required. Certain comparatives have been restated, refer to Note 2(s).

s) Prior period restatement

Implementation of IFRIC agenda decision and new accounting policy

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRS Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. Historical financial information has been restated to account for the impact of the change.

Costs previously recognised as Property, plant and equipment which related to Software-as-a-Service (SaaS) arrangements have been re-assessed. The related Deferred tax liability has been also been adjusted accordingly as a consequence of this change.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

As disclosed in above, the Group revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC. Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

Other adjustments

RAD, Accommodation bond and ILU entry contribution inflows and outflows were reclassified from operating activities to financing activities to more accurately reflect the nature of the cash flows.

	As previously reported	**Other Adjustments**	**SaaS Adjustment**	**As restated**
Statement of Financial Position				
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant & equipment	59,910	-	(3,251)	56,659
Other items	233,138	-	-	233,138
Total non-current assets	**293,048**	**-**	**(3,251)**	**289,797**
Total assets	**1,065,082**	**-**	**(3,251)**	**1,061,831**
Deferred tax liabilities	17,790	-	(975)	16,815
Other items	7,888	-	-	7,888
Total non-current liabilities	**25,678**	**-**	**(975)**	**24,703**
Total liabilities	**978,102**	**-**	**(975)**	**977,127**
Net assets	**86,980**	**-**	**(2,276)**	**84,704**
Contributed equity	44,126	-	-	44,126
Accumulated losses	42,854	-	(2,276)	40,578
Total equity	**86,980**	**-**	**(2,276)**	**84,704**

s) Prior period restatement (continued)

Statement of Comprehensive Income				
30 June 2021				
Administration expenses	(14,777)	-	(1,667)	(16,444)
Other items	36,588	-	-	36,588
Profit before income tax	**21,811**	**-**	**(1,667)**	**20,144**
Tax expense	(6,413)	-	500	(5,913)
Profit after income tax	**15,398**	**-**	**(1,167)**	**14,231**
Statement of Cash flows				
30 June 2021				
Cash flows from operating activities				
Payments to suppliers and employees	(351,756)	-	(1,667)	(353,423)
RAD, Accommodation bond and ILU entry contribution inflows	252,984	(252,984)	-	-
RAD, Accommodation bond and ILU entry contribution outflows	(235,083)	235,083	-	-
Other items	379,731	-	-	379,731
Net cash inflows from operating activities	**45,876**	**(17,901)**	**(1,667)**	**26,308**
Cash flows from investing activities				
Payments for property, plant and equipment	(5,878)	-	1,667	(4,211)
Other items	(2,619)	-	-	(2,619)
Net cash outflows used in investing activities	**(8,497)**	**-**	**1,667**	**(6,830)**
RAD, Accommodation bond and ILU entry contribution inflows	-	252,984	-	252,984
RAD, Accommodation bond and ILU entry contribution outflows	-	(235,083)	-	(235,083)
Other items	(54,086)	-	-	(54,086)
Net cash outflows used in financing activities	**(54,086)**	**17,901**	**-**	**(36,185)**
Net increase in cash held	**(16,707)**	**-**	**-**	**(16,707)**
Cash equivalents held at the beginning of the year	53,087	-	-	53,087
Cash equivalents at the end of the year	**36,380**	**-**	**-**	**36,380**

Statement of Financial Position	**As previously reported**	**Other Adjustments**	**SaaS Adjustment**	**As restated**
30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant & equipment	62,297	-	(1,109)	61,188
Other items	239,145	-	-	239,145
Total non-current assets	**301,442**	**-**	**(1,109)**	**300,333**
Total assets	**1,039,758**	**-**	**(1,109)**	**1,038,649**
Deferred tax liabilities	21,060	-	-	21,060
Other items	7,148	-	-	7,148
Total non-current liabilities	**28,208**	**-**	**-**	**28,208**
Total liabilities	**957,126**	**-**	**-**	**957,126**
Net assets	**82,632**	**-**	**(1,109)**	**81,523**
Contributed equity	44,126	-	-	44,126
Accumulated losses	38,506	-	(1,109)	37,397
Total equity	**82,632**	**-**	**(1,109)**	**81,523**

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the grouping disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities.

Judgements

In preparing these Financial Statements there are judgements made by the directors in applying the Group's accounting policies.

Estimates and assumptions

The Group makes key assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(i) Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecovered tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future increases in bed places and fee levels, operating costs, capital expenditure, dividends and other capital management transactions.

(ii) Approved Provider Aged Care Places (Bed licences)

In previous periods, bed licenses were assessed as having an indefinite useful life as they are issued for an unlimited period. The Australian Government has announced its decision to discontinue operational places/bed licences from 1 July 2024. In accordance with Accounting Standards and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and The Group's current understanding of the relevant legislation and transitional arrangements relating to the removal of bed licences, The Group has reassessed the useful life of its bed licenses. Consequently, The Group commenced amortising the value of operational places from 1 July 2021 on a straight line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the year ended 30 June 2022 of $34,028,000 with no impact to the cash flows of The Group. In addition, a related deferred tax liability of $10,208,000 has been partially reversed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(iii) Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the Cash Generating Unit (CGU) to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows and growth rates expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

(iv) Property, plant and equipment - work in progress

Management reviews the future value of costs incurred to date and expected benefits realisation. This is of particular significance in projects such as property developments which can run over a number of years, and property refurbishments. Actual results, however, may vary due to changing customer requirements and market conditions in the case of property development which tends to have a long lead time from initial spend to achievement of development approval and finally completion of construction work.

(v) Deferred tax liabilities

Management judgement is applied in determining the following key assumptions used in the calculation of deferred tax liabilities in the reporting period:

- Effective life for tax purposes of acquired intangible assets and ;
- Timing of the reversal of temporary timing differences

(vi) Employee benefits

Management judgement is applied in determining the following key assumptions used in the calculation of annual leave and long service leave at the end of the reporting period:

- future increases in wages and salaries;
- future on-cost rates; and
- experience of employee departures and period of service.

(vii) Assessment of Expected Credit loss

The expected losses were based on historical collections data for the past three financial years. Cash collections were compared to the trade debtors aging categories in order to calculate an expected loss ratio. The expected loss ratios have then been applied to the aged receivable categories at 30 June 2022 and a comparison has been performed against the existing provision for doubtful debts. The findings of the comparison indicate that the existing provision for doubtful debts is consistent with the expected loss model calculations.

(viii) Investment property - refer Note 11.

4. SEGMENT INFORMATION

Allity Pty Ltd predominantly operates in the residential aged care industry in Australia. Revenue is mainly derived from the operation of residential aged care homes.

The Group has presented the following segment information only to comply with the requirements of the Aged Care Act 1997. The segments reported are:

- Residential Aged Care - the operation of residential aged care homes – including hostels and nursing homes
- Retirement Living – the development and operation of retirement villages
- Corporate – costs incurred in the head office

Segment accounting policies are the same as the Group's accounting policies.

Year ended 30 June 2022	Residential Aged Care	Retirement Living	Corporate	Consolidated
	$'000	$'000	$'000	$'000
Revenue				
Government funding	267,346	-	-	267,346
Resident fees	126,262	122	-	126,384
Other income	6,363	21	-	6,384
Imputed revenue on RAD balances	31,514	-	-	31,514
Total revenue	**431,485**	**143**	**-**	**431,628**
Other income				
Interest income	-	-	19,159	19,159
Total revenue and other income	**431,485**	**143**	**19,159**	**450,787**
Expenses				
Staff expense	(269,482)	-	(20,920)	(290,402)
Resident expenses	(32,342)	-	(18)	(32,360)
Occupancy expenses	(48,765)	(3)	(821)	(49,589)
Administration expenses	(8,753)	(52)	(6,487)	(15,292)
Depreciation	(9,118)	-	(803)	(9,921)
Amortisation	(34,028)	-	-	(34,028)
Finance cost	(34,348)	-	-	(34,348)
Fair value decrement on retirement village assets	(783)	-	-	(783)
Profit/(Loss) before income tax	**(6,134)**	**88**	**(9,890)**	**(15,936)**
Income tax credit/(expense)	1,591	(26)	2,967	4,532
Profit/(Loss) before income tax	**(4,543)**	**62**	**(6,923)**	**(11,404)**

4. SEGMENT INFORMATION (Continued)

Year ended 30 June 2022	Residential Aged Care	Retirement Living	Corporate	Consolidated
	$'000	$'000	$'000	$'000
Assets				
Current assets				
Cash and cash equivalents	53,263	-	-	53,263
Trade and other receivables	10,852	15	(1,639)	9,228
Other current assets	1,465	3	1,576	3,044
Total current assets	**65,580**	**18**	**(63)**	**65,535**
Non-current assets				
Receivables	685,924	-	-	685,924
Property, plant and equipment	52,895	91	4,033	57,019
Investment property	-	10,967	-	10,967
Right of use assets	-	-	2,645	2,645
Other non current assets	99	-	-	99
Intangible assets	182,953	-	-	182,953
Total non-current assets	**921,871**	**11,058**	**6,678**	**939,607**
Total assets	**987,451**	**11,076**	**6,615**	**1,005,142**
Liabilities				
Current liabilities				
Trade and other payables	23,922	3	1,589	25,514
Other Financial liabilities	900,026	5,436	-	905,462
Lease liabilities	-	-	1,339	1,339
Provisions	36	-	-	36
Total current liabilities	**923,984**	**5,439**	**2,928**	**932,351**
Non-current liabilities				
Lease liabilities	-	-	1,865	1,865
Deferred tax liability	-	-	4,982	4,982
Total non-current liabilities	**-**	**-**	**6,847**	**6,847**
Total liabilities	**923,984**	**5,439**	**9,775**	**939,198**
Net assets	**63,467**	**5,637**	**(3,160)**	**65,944**

4. SEGMENT INFORMATION (Continued)

Year ended 30 June 2021	Residential Aged Care	Retirement Living	Corporate	Consolidated
	$'000	$'000	$'000	$'000
Revenue				
Government funding	279,693	-	-	279,693
Resident fees	110,739	106	-	110,845
Other income	11,734	25	-	11,759
Imputed revenue on RAD balances	31,579	-	-	31,579
Total revenue	**433,745**	**131**	**-**	**433,876**
Other income				
Interest income	-	-	17,587	17,587
Total revenue and other income	**433,745**	**131**	**17,587**	**451,463**
Expenses				
Staff expense	(259,213)	-	(20,867)	(280,080)
Resident expenses	(33,112)	-	(15)	(33,127)
Occupancy expenses	(48,484)	(23)	(879)	(49,386)
Administration expenses	(8,976)	(115)	(7,353)	(16,444)
Depreciation	(11,733)	(2)	(931)	(12,666)
Finance cost	(34,114)	-	(5)	(34,119)
Loss on sale of assets	(2,391)	-	-	(2,391)
Asset impairment	(3,106)	-	-	(3,106)
Profit/(Loss) before income tax	**32,616**	**(9)**	**(12,463)**	**20,144**
Income tax credit/(expense)	**(9,655)**	**3**	**3,739**	**(5,913)**
Profit/(Loss) before income tax	**22,961**	**(6)**	**(8,724)**	**14,231**
Assets				
Current assets				
Cash and cash equivalents	36,380	-	-	36,380
Trade and other receivables	713,323	15	16,842	730,180
Other current assets	959	3	1,842	2,804
Assets held for sale	2,670	-	-	2,670
Total current assets	**753,332**	**18**	**18,684**	**772,034**
Non-current assets				
Property, plant and equipment	47,236	93	9,330	56,659
Investment property	-	12,133	-	12,133
Right of use assets	-	-	3,748	3,748
Other non-current assets	276	-	-	276
Intangible assets	216,981	-	-	216,981
Total non-current assets	**264,493**	**12,226**	**13,078**	**289,797**
Total assets	**1,017,825**	**12,244**	**31,762**	**1,061,831**

Restated as per note 2 (s).

4. SEGMENT INFORMATION (Continued)

Year ended 30 June 2021	Residential Aged Care $'000	Retirement Living $'000	Corporate $'000	Consolidated $'000
Liabilities				
Current liabilities				
Trade and other payables	21,097	8	1,613	22,718
Other Financial liabilities	883,785	5,282	-	889,067
Lease liabilities	-	-	1,323	1,323
Liabilities held for sale	2,782	-	-	2,782
Provisions	33,692	-	2,842	36,534
Total current liabilities	**941,356**	**5,290**	**5,778**	**952,424**
Non-current liabilities				
Provisions	4,318	-	366	4,684
Lease liabilities	-	-	3,204	3,204
Deferred tax liability	-	-	16,815	16,815
Total non-current liabilities	**4,318**	-	**20,385**	**24,703**
Total liabilities	**945,674**	**5,290**	**26,163**	**977,127**
Net assets	**72,151**	**6,954**	**5,599**	**84,704**

5. EXPENSES

	2022 $'000	2021 $'000
Depreciation		
Motor Vehicles	108	107
Plant & Equipment	4,945	5,174
Furniture & Fittings	2,848	5,621
Computer Equipment	916	1,021
Right of use assets	1,104	743
	9,921	12,666
Amortisation of bed licenses	34,028	-
Finance Cost		
Accommodation Bond Interest payable	2,729	2,466
Imputed interest on RAD's	31,514	31,579
Interest on leases	105	74
	34,348	34,119
Amounts relating to leases		
Depreciation expense on right-of-use assets	1,104	743
Interest expense on lease liabilities	105	74
Amounts recognised as an expense for defined contribution superannuation plans	18,444	17,399

6. INCOME TAX

(a) Current income tax benefit/(expense)	2022 $'000	2021 $'000
Current Income (expense)	(7,301)	(10,158)
Deferred tax benefit	11,833	4,245
	4,532	(5,913)

(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate for 2022 and 2021:

	2022	2021
Profit/(loss) from continuing operations before income tax expense	(15,936)	20,144
Tax at 30% (2021: 30%)	4,781	(6,043)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	(249)	130
Income tax benefit/(expense) for the year	**4,532**	**(5,913)**

7 . CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank and on hand	**53,263**	**36,380**

8 . TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade receivables	8,304	8,597
Related party receivables	-	721,633
Allowance for expected credit loss	(1,682)	(1,657)
Sundry debtors/Other receivables	2,606	1,607
Total current receivables	**9,228**	**730,180**
Non-current		
Related party receivables	**685,924**	**-**

Trade receivables are non-interest bearing and are generally on terms of 30 - 90 days. Intercompany receivables of $685,924,000 are interest bearing.

9. PROPERTY, PLANT and EQUIPMENT

	2022 $'000	2021 $'000
General Plant & Equipment		
Opening value	32,948	34,082
Additions	2,942	6,278
Disposals for the year	-	(37)
Impairment	-	(2,201)
Depreciation charge for the year	(4,945)	(5,174)
Closing balance	**30,945**	**32,948**
Furniture & Fittings		
Opening value	18,250	20,982
Additions	2,873	3,765
Disposals for the year	-	(1)
Impairment	-	(875)
Depreciation charge for the year	(2,848)	(5,621)
Closing balance	**18,275**	**18,250**
Computer Equipment		
Opening value	3,034	3,317
Additions	1,254	843
Disposals for the year	-	(23)
Impairment	-	(82)
Depreciation charge for the year	(916)	(1,021)
Closing balance	**3,372**	**3,034**
Motor Vehicles		
Opening value	1,171	1,270
Additions	75	8
Depreciation charge for the year	(108)	(107)
Closing balance	**1,138**	**1,171**
Work in progress		
Opening value	1,256	814
Additions	2,033	442
	3,289	**1,256**
Total Property, Plant and Equipment	**57,019**	**56,659**
Made up of:		
Cost	152,308	143,131
Accumulated depreciation	(95,289)	(86,472)
	57,019	**56,659**

Restated as per note 2 (s).

The land and buildings are secured by registered mortgages as security for the borrowings held by the ultimate parent entity, RSL Care RDNS Limited. The Group and every entity within The Group is a Guarantor to these borrowings.

	2022 $'000	2021 $'000
10. RIGHT OF USE ASSETS		
Land and Buildings		
Opening value	3,480	2,619
Additions for the year	-	1,628
Depreciation charge for the year	(957)	(767)
Closing balance	**2,523**	**3,480**
Plant and Equipment		
Opening value	269	117
Additions for the year	-	294
Depreciation charge for the year	(147)	(142)
Closing balance	**122**	**269**
Total Right of Use assets	**2,645**	**3,748**
Made up of:	6,020	6,020
Cost	(3,375)	(2,272)
Accumulated depreciation	**2,645**	**3,748**

11. INVESTMENT PROPERTY	2022 $'000	2021 $'000
Opening value	12,133	14,753
Transfer to PP&E due to change in use	(383)	(2,620)
Fair value decrement on retirement village assets	(783)	-
Closing balance	**10,967**	**12,133**

The basis of the valuation of investment properties is fair value being the amount for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar contractual arrangements. All of the Group's investment properties were independently valued during the year. At 30 June 2022 a fair value assessment was made based on market conditions since the valuations were performed. The following key assumptions adopted in the basis of valuation at 30 June 2022 include:

Discount rate - Weighted average 17.09% (2021: 14.33%)
Growth rate per annum - Weighted average 2.20% (2021: 0.78%)
Average occupancy period - 9.74 years (2021: 7.46 years)

The key assumptions applied to the each individual village varies depending on factors including recent results, outlook, location, size and condition, as well as reflecting current and future market conditions. There is uncertainty in valuations arising from the impacts of the economic climate and interest rates.

12. INTANGIBLE ASSETS

	2022 $'000	2021 $'000
(a) Bed Licences		
Opening Value	102,085	106,760
Additions during the year	-	1,295
Transfer to assets held for sale	-	(2,670)
Amortisation	(34,028)	-
Disposals during the year	-	(3,300)
Closing Balance	**68,057**	**102,085**

Bed licences for aged care facilities are carried at historical cost. Bed licences acquired through a business combination are assessed at fair value at the date of acquisition in accordance with AASB 3 *Business Combinations* in the financial statements. Transfers for the year include licences transferred into the Approved Provider during the year.

	2022 $'000	2021 $'000
(b) Goodwill	**114,896**	**114,896**
Total Intangible Assets	**182,953**	**216,981**
Made up of:		
Cost	216,981	216,981
Accumulated amortisation	(34,028)	-
	182,953	**216,981**

13. IMPAIRMENT TESTING

Impairment testing of intangible assets

Goodwill and Intangible assets with indefinite useful lives are allocated to cash generating units (CGUs) based on the specific assets or group of assets to which they relate. The Group's assessment is that for the period The Group should be assessed for impairment as a single CGU on the basis that they generate largely inter-dependant cash flows as all assets operate under the one banner of ‘Allity’.

The recoverable amount of the assets at 30 June 2022 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the board. The pre-tax discount rate applied to cash flow projections is 12% (FY21: 12%). It was concluded that the value in use exceeded the fair value less costs of disposal. As a result management did not identify an impairment at 30 June 2022.

13. IMPAIRMENT TESTING (continued)

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Occupancy levels
- Discount rates
- Resident Mix

Occupancy Levels: Occupancy levels are a key driver of revenue streams and cost elements required to deliver services to each Home. Occupancy levels are forecast based on historically achieved levels at each home.

Discount Rate: Discount rates represent the current market assessment of the risks to the business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of The Group as well as the weighted average cost of capital (WACC) for comparable companies in its industry.

Resident Mix: Resident mix within the homes impacts the proportion of residents paying a Refundable Accommodation Charge and/or paying a Daily Accommodation Payment. Resident mix is forecast at a Home level based on historical performance and specifically identified improvements areas for individual Homes.

Sensitivity to changes in assumptions

Discount Rates: management considered a rise or fall in the WACC of +/- 1% and found that this change would not result in impairment.

14. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade creditors and accruals	19,354	17,510
Accrued expenses	6,160	5,208
	25,514	**22,718**

15. OTHER FINANCIAL LIABILITIES

	2022 $'000	2021 $'000
Refundable Accommodation Deposits	900,026	883,785
Independent Living Unit entry contributions	5,436	5,282
	905,462	**889,067**

16. LEASE LIABILITIES

		2022 $'000	2021 $'000
(a)	**Current**	**1,339**	**1,323**
(b)	**Non-Current**	**1,865**	**3,204**

The future minimum lease payments arising under The Group's lease contracts at the end of the reporting period are as follows:

	2022	2021
Not later than one year	1,416	1,440
Later than one year but not later than 5 years	1,740	3,043
Later than 5 years	216	329
	3,372	**4,812**

17. PROVISIONS

		2022 $'000	2021 $'000
(a)	**Current**		
	Provision for annual leave	-	24,315
	Provision for long service leave	-	12,183
	Other provisions	36	36
		36	**36,534**
(b)	**Non-Current**		
	Provision for long service leave	**-**	**4,684**

18. DEFERRED TAX LIABILITIES

	2020 $'000 Restated	Recognised in profit or loss $'000	2021 $'000 Restated	Recognised in profit or loss $'000	2022 $'000
Deferred tax (liabilities)/assets in relation to:					
Accruals	760	151	911	13	924
Employee provisions	11,108	1,251	12,359	(52)	12,307
Provision for doubtful debts	235	262	497	8	505
Intangible assets	(32,028)	1,403	(30,625)	10,208	(20,417)
Property, plant and equipment	-	975	975	1,689	2,664
Right of use assets	(821)	(303)	(1,124)	330	(794)
Lease liabilities	989	369	1,358	(397)	961
Investment properties	(1,303)	137	(1,166)	34	(1,132)
	(21,060)	4,245	(16,815)	11,833	(4,982)

19. CONTRIBUTED EQUITY

	2022	2021
Number of ordinary shares (000's)	44,126	44,126
Amount per share	$1.00	$1.00
	44,126	**44,126**

Terms and conditions of contributed equity

The Group is incorporated under the Corporations Act 2001 and accordingly, does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary Shares

Ordinary shares have the right to receive distributions as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the numbers of securities held and whether fully paid. Ordinary securities entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

20. FAIR VALUE MEASUREMENT

Quantitative disclosures fair value measurement hierarchy for assets as at 30 June 2022:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000's	$'000's	$'000's	$'000's
Assets measured at fair value:					
Investment Property	30 June 2022	10,967	-	-	10,967

Commentary

AASB 13.94 requires appropriate determination of classes of assets and liabilities on the basis of:

- The nature, characteristics and risks of the assets or liability; and
- The level of the fair value hierarchy within the fair value measurement in categorised

The Group has applied the factors disclosed in the quantitative information under AASB 13 based on the classes of assets and liabilities determined on the basis per AASB 13.94. As judgement is required to determine the classes of properties, other criteria and aggregation levels for classes of assets may also be appropriate, provided they are based on the risk profile of the assets (e.g., the risk profile of properties in an emerging market may differ from that of properties in a mature market).

For assets and liabilities held at the end of the reporting period measured at fair value on a recurrent basis, AASB 13.93 (c) requires disclosure of amounts of transfers between Level 1 and Level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining the determining when the transfers are deemed to have occurred. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

21. RELATED PARTY TRANSACTIONS

(a) Ultimate Parent entity

Since 28 February 2022, the ultimate parent entity of Allity Pty Ltd is RSL Care RDNS Limited. Prior to this date, Australian Aged Care Partners Holdings Pty Ltd was the ultimate parent entity.

(b) Parent entity

All assets, liabilities, revenue and expenses are attributable to the parent entity of the Group.

On 31 October 2013, Australian Aged Care Partners Holdings Pty Limited ACN 162 265 983 entered into an ASIC Deed of Cross Guarantee as Trustee and Holding Entity (the Deed). Allity Pty Ltd is party to this deed and all other parties to the Deed, being the Group Entities which are members of the Extended Closed Group are:

Australian Aged Care Partners Holdings Pty Ltd (ACN 162 265 983)
Allity Pty Limited (ACN 143 413 638)
Allity Aged Care Pty Ltd (ACN 003 587 353)
Cerity Pty Ltd (ACN 131 544 397)
Allity Management Services Pty Ltd (ACN 143 415 598)
Cerity Holdings Pty Ltd (ACN 124 426 400)
Australian Aged Care Partners (No. 2) Pty Ltd (ACN 162 265 974)
Australian Aged Care Partners Pty Ltd (ACN 162 265 965)
Allity Holdings Pty Ltd (ACN 155 522 446)
Australian Aged Care Partners Property Pty Ltd (ACN 162 559 015)
Australian AC Property Pty Ltd (ACN 162 560 349)
Australian AC Partners Property Pty Ltd (ACN 162 559 024)
Allity NSW Property Holdings Pty Ltd (ACN 128 132 061)
Australian Aged Care Partners Finance Pty Ltd (ACN 162 406 224)
Allity (Riverwood Village) Pty Limited (ACN 085 949 328)
Allity Community Care Pty Ltd (ACN 163 674 217)
Australian SA Property Pty Ltd (ACN 168 341 866)

Other than the entities referred to above, there have been no entities during the financial year ended 30 June 2022 that have been added by an Assumption Deed; removed by a Revocation Deed or the subject of a Notice of Disposal contemplated by the Deed.

The effect of the deed is that, Australian Aged Care Partners Holdings Proprietary Limited has guaranteed to pay any deficiency in the event of winding up any controlled entity party to the deed if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

(c) Subsidiary

Allity Pty Ltd has a single subsidiary being Allity Management Services Pty Ltd and holds 100% of the equity in the company (2021: 100%).

21. RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

Australian Aged Care Partners Holdings Pty Ltd and other controlled entities provides corporate support services to Allity Pty Ltd including treasury, payroll management, accounts payable and IT services. In addition, a number of 100% controlled entities of Australian Aged Care Partners Holdings Pty Ltd are property owners of the Residential Aged Care Homes operated by Allity Pty Ltd. Allity Pty Ltd has entered into a license agreement for the ongoing use of these homes and provides funding to the owning entities for capital improvement projects at these Homes. The following table provides the outstanding balances with related parties for the relevant financial year.

	2022 $'000	2021 $'000
Trade receivables	685,924	721,633

(e) Transactions with related parties

License Fee Expense	35,134	34,058

(e) Key management personnel

Key management personnel compensation is $2,856,661 (2021: $2,308,626).

22. EVENTS AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year 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. The impact of Covid-19 on operations continues to be well managed by the Group.

23. ASSETS HELD FOR SALE

In June 2021 the Group entered into an agreement to sell its Sylvan Woods aged care home. Subsequent to the end of the 30 June 2021 financial year, the sale was completed in July 2021. Sylvan Woods disclosures are detailed below:

(a) Assets held for sale	2022 $'000	2021 $'000
Intangible assets - bed licenses	**-**	**2,670**
(b) Liabilities associated with assets held for sale		
Trade and other payables	-	42
Other financial liabilities	-	2,257
Provisions	-	483
	-	**2,782**

(c) Profit and loss

For the year ended 30 June 2021 Sylvan Woods Revenues amounted $4,990,000, expenses were $4,702,000 resulting in a net profit of $288,000. These amounts have been included in the Statement of Comprehensive Income on Page 7.

24. FINANCIAL INSTRUMENTS

The carrying amounts presented in the statement of financial position relate to the following categories of financial instruments.

	2022	2021
	$'000	$'000
Financial assets measured at amortised cost		
Current		
Cash and cash equivalents	53,263	36,380
Trade and other receivables	9,228	730,180
	62,491	**766,560**
Non-current		
Trade and other receivables	**685,924**	**-**
Total financial assets	**748,415**	**766,560**
Financial liabilities measured at amortised cost		
Current		
Trade and other payables	25,514	22,718
Lease liabilities	1,339	1,323
Other financial liabilities	905,462	889,067
	932,315	**913,108**
Non-current		
Lease liabilities	**1,865**	**3,204**
Total financial liabilities	**934,180**	**916,312**

25. REMUNERATION OF AUDITORS

	2022 $	2021 $
Deloitte Touche Tohmatsu		
Audit or review of financial reports		
Group	30,000	-
Subsidiaries and Retirement villages	5,515	-
Other assurance services under other legislation	5,000	-
	40,515	-
Ernst & Young		
Audit of financial reports		
Group	-	30,000
Subsidiaries and Retirement villages	-	9,232
Other assurance services under other legislation	160,540	51,500
Other services	51,700	27,500
	212,240	118,232

Note: Deloitte Touche Tohmatsu were appointed auditors on 7 April 2022 and Ernst & Young resigned as auditor on the same date.

26. ECONOMIC DEPENDENCY

The Group is dependent on government funding under the Aged Care Act 1997 (C'th) for operation of its residential care facilities.

The ultimate holding company of the Group RSL Care RDNS Limited (RSL Care) has provided a letter of support stating it will provide adequate financial support to the Group to enable it to continue operations and to meet its obligations as and when they fall due for a period of 12 months from the date of signing the Group's 30 June 2022 financial statements. RSL Care will not demand repayment of any monies owing from the Group as at 30 June 2022 (or at a later date) to RSL Care during this 12 month period that would prejudice the Group's ability to continue operations.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2022

In the Directors' opinion:

a) The financial statements and notes set out on pages 7 to 45 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Group's financial position as at 30 June 2022 and of the performance for the financial year ended on that date; and

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

This declaration is made in accordance with a resolution of the directors in accordance with section 295 of the Corporations Act 2001.

Stephen Muggleton
26 October 2022
Brisbane QLD

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Independent Auditor's Report to the Directors of Allity Pty Ltd

Opinion

We have audited the annual financial report of Allity Pty Ltd (the "Entity") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- 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 Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Entity 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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has 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 the financial report.

As part of an audit in accordance with 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 director's 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.

Deloitte.

- 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's 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.

DELOITTE TOUCHE TOHMATSU

Vanessa de Waal
Partner
Chartered Accountants
Brisbane, 26 October 2022