Be true to you

RSL Care RDNS Limited

(Trading as Bolton Clarke)

ACN 010 488 454

General Purpose Financial Report for the year ended 30 June 2022

The Directors of RSL Care RDNS Limited ACN 010 488 454 ('**Company'**), the Trustee of the RSL (QLD) War Veterans' Homes Trust ABN 50 181 542 617 ('**Trust'**) and the Managing Trustee of the Scartwater (Aged Care) Trust ABN 14 567 533 824 ('**Scartwater Trust**') present their report on the Trust, the Scartwater Trust, Royal District Nursing Service Limited ABN 49 052 188 717 ('**RDNS'**) and its subsidiaries, Australian Aged Care Partners Holdings Pty Ltd ACN 162 265 983 ('**Allity'**) and its subsidiaries and Acacia Living Group Limited ACN 654 457 995 ('**Acacia Living'**) (collectively, the '**Group'**) for the financial year ended 30 June 2022 and the Independent Auditor's Report thereon.

1. Legal structure

RSL Care RDNS Limited was incorporated on 21 December 1983 as a public company limited by guarantee. It was established to act as Trustee of the Trust under a Deed of Trust dated 13 December 1983. The principal activity of the Trust is to provide relief from poverty, distress, sickness, disability, destitution, suffering, misfortune and helplessness to people in need in Australia as a public benevolent institution, including by providing care, accommodation and services for ex-service men and women, their dependants and other members of the community.

In 2004 the Company commenced acting as the Managing Trustee of the Scartwater Trust. The Scartwater Trust owns a residential care facility in Bowen, Queensland.

On 1 April 2016, the Company, in its capacity as Trustee of the Trust, merged with RDNS, a public company limited by guarantee. The principal activity of RDNS is to provide relief from poverty, distress, sickness, disability, destitution, suffering, misfortune and helplessness to people in need as a public benevolent institution, including by providing nursing, caring and midwifery services.

In 2017 RDNS acquired the Altura Learning group of entities. Altura Learning group creates online educational resources, predominantly for the aged care sector, and has operations in Australia, the United Kingdom, Ireland and New Zealand.

In 2017 the Company commenced trading as Bolton Clarke.

On 1 November 2021 the Company, in its capacity as Trustee of the Trust, merged with Acacia Living, a public company limited by guarantee. The principal activity of Acacia Living is to provide aged and infirm persons who are in needy circumstances, including but not limited to armed forces veterans and their dependants, with accommodation, care and assistance services within aged care facilities, respite centres, retirement villages, other residential facilities and by providing community care services. Acacia Living operates residential care facilities, retirement villages and a home care business in Western Australia.

On 28 February 2022 the Company, in its capacity as Trustee of the Trust, acquired the Allity group of entities. The Allity group operates residential care facilities in Queensland, New South Wales, Victoria and South Australia and retirement villages in Queensland, New South Wales and South Australia.

2. Directors

(a) Qualifications and experience

Listed below are the details of Directors of the Company in office at any time during or since the end of the financial year, their qualifications, experience and special responsibilities. Unless otherwise stated, Directors have been in office since the start of the financial year.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Mr Pat McIntosh AM CSC B.Bus, GradDipMgnt, MBA, MAICD	Chairman of the Board	Mr McIntosh was a senior officer in the Australian Army where he served for 27 years. He is a graduate of the Australian Army Staff College and the Australian Defence College. He has a wide range of command and leadership experience, including senior command appointments and operational command. Following his service, Mr McIntosh worked in the finance sector for 13 years and established a financial planning business. In addition to serving as Chair of Bolton Clarke, he is the Chair of two for-profit businesses - Altura Learning and RDNS Hong Kong - and the Chair of not-for-profit provider RDNS New Zealand. He is also on the Board of the Southern Cross Credit Union and the Advisory Board of the Royal Australian Regiment.
Mr Jeffrey McDermid B Econ, FAICD, FCA	Chair, Risk and Audit Committee Member, Capital Committee Member, Nomination and Remuneration Committee Member, Clinical and Care Governance Committee	Mr McDermid has over 50 years' experience within the accounting profession and has been a Director of not-for-profit and for-profit organisations. His board roles extend across a wide range of sectors including property development, human resources, private education, tourism, agricultural equipment supply, online retail, hotel, shopping centre and technology industries. Mr McDermid is a former partner of WMS Chartered Accountants and Ernst & Young. Mr McDermid brings to the Board a wide variety of skills and experience in financial management, corporate governance and strategic thinking.
Mr Robert Lourey B.Bus, GAICD	Chair, Nomination and Remuneration Committee Member, Capital Committee	Mr Lourey has extensive listed company senior executive experience. He has served as the principal human resources executive in large, internationally based, publicly listed companies across a broad range of industries including international education, media, property development and construction, manufacturing, finance and banking. Mr Lourey is a former Chair of Access EAP and a former member of the Boards of KU Children's Services, Michael Page plc, Afrox and Afrox Healthcare (RSA).

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Mr Stuart Lummis B Econ, Grad Dip Applied Proj & Const Mngt, Post Grad Dip Acctg, Finsia, FAICD	Chair, Capital Committee Member, Risk and Audit Committee	Mr Lummis has over 40 years' experience as a senior executive and company director with a strong background in the property sector and managing complex property portfolios, gained through his role as the Head of Property at Yourtown and as the former Director of Property for the Catholic Archdiocese. Mr Lummis has extensive experience in both large publicly listed groups and not-for-profit organisations. He is also a member of the Property Council of Australia's Social Infrastructure Committee, a Director of Brisbane Markets Limited, Deaf Services Queensland, Heritage Council of Queensland, and National Trust (Australia) Queensland. He is the Chair of the Property Advisory Committee and a member of the Stewardship Commission for the Sisters of Saint Joseph.
Dr Cherrell Hirst AO FTSE, MBBS, BEdSt, D.Univ (Honorary), FAICD (Life)	Chair, Clinical and Care Governance Committee (Resigned as Chair on 1 October 2022. Remained a member of this Committee) Member, Risk and Audit Committee	Dr Hirst is a member of the Board of the John Villiers Trust and is a Director of Altura Learning. Dr Hirst has formerly held Board membership of a number of organisations including Medibank Limited, Gold Coast Hospital and Health Service, Suncorp Metway Limited, Peplin Limited, Avant Group (including Avant Insurance Ltd), ImpediMed Limited and Factor Therapeutics Limited. She was Chancellor of Queensland University of Technology from 1994 to 2004 and chaired the Advisory Board of the Institute of Molecular Biosciences at the University of Queensland from 2014 to 2021.
Associate Professor Bev Rowbotham MBBS (Hons 1), MD, FRACP, FRACPA, FAICD Appointed 28 October 2021	Member, Risk and Audit Committee Member, Clinical and Care Governance Committee (until 1 October 2022) Chair, Clinical Care and Governance Committee (appointed 1 October 2022)	Associate Professor Rowbotham is a medical specialist and non-executive company director with a career long focus on client safety and wellbeing in the healthcare, disability and aged care sectors. Associate Professor Rowbotham chairs the Federal Government's National Pathology Accreditation Advisory Council and Avant Mutual Group, Australia's largest medical indemnity insurance provider. Associate Professor Rowbotham is also a Director of the private health insurer, Doctors Health Fund.

3. Directors (continued)

(a) Qualifications and experience (continued)

Director	**Committee Membership**	**Experience**
Adjunct Professor Michael Reid AM B.Ec Resigned 13 April 2022	Member, Clinical and Care Governance Committee Member, Nomination and Remuneration Committee Member, Capital Committee	Adjunct Professor Reid has extensive experience as a director and is currently the National President of the Mental Illness Fellowship of Australia, Deputy Chair of the Central Adelaide Local Health District Governing Board and Chair of the Board Chairs, SA Health and of the Eastern Sydney Private Hospital. He is also a member of the Western Sydney Local Health District Board. He has held many public sector positions at Commonwealth and State Government levels including as the Director General of the Queensland Health Department, Director General of the Ministry for Science and Medical Research (NSW) and Director General of the NSW Health Department. In 2011, Adj. Prof. Reid was awarded the Sidney Sax Medal for his contribution to the Australian Health Service and in 2019 was appointed as a Member (AM) of the Order of Australia for significant service to the community through government and not-for-profit health roles, and to Indigenous welfare.
Ms Annabelle Chaplain AM BA, MBA, Post Grad Dip Finsia, FAICD Appointed 1 February 2022 Resigned 6 May 2022	Member, Risk and Audit Committee Member, Clinical and Care Governance Committee Member, Nomination and Remuneration Committee	Ms Chaplain is an accomplished non-executive director, with extensive experience across ASX-listed, public, private and international sectors, including in financial services, property and industrial services and infrastructure. Ms Chaplain is currently chair of MFF Capital Investments Ltd and Canstar Pty Ltd and is also a director of Seven Group Holdings Ltd, Super Retail Group Ltd, the Australian Ballet and the Society for the Sacred Advent Schools Pty Ltd.

2. Directors (continued)

(b) Directors' attendance at meetings

The number of Directors' meetings of the Company (including meetings of Committees of Directors) and the number of meetings attended by each Director during the financial year were:

Director	Directors' Meetings		Capital Committee		Risk and Audit Committee		Nomination and Remuneration Committee		Clinical Care and Governance Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
P. McIntosh	13	12	-	-	-	-	-	-	-	-
R. Lourey	13	13	4	4	-	-	4	4	-	-
J. McDermid	13	13	4	4	6	6	4	4	-	-
S. Lummis	13	13	4	4	6	6	-	-	-	-
C. Hirst	13	12	-	-	6	5	-	-	4	4
M. Reid	11	11	1	1	-	-	3	3	3	3
B. Rowbotham	9	9	-	-	6	6	-	-	4	4
A. Chaplain	5	5	1	1	2	2	1	1	1	1

[1] Number of meetings held whilst the Director was a Board member or Committee member
[2] Number of meetings attended by the Director

3. Company Secretary

Ms Susan Stewart (LLB (Hons), LLM) was appointed as Company Secretary on 23 February 2012. In addition to her role as Company Secretary, she is General Counsel and responsible for the Group's legal, company secretarial, corporate governance, risk, internal audit, insurance and business continuity functions. Prior to her appointment Ms Stewart held the position of General Legal Counsel and Group Company Secretary at a listed property development, construction, funds management and retirement village company for six years and practised in national law firms for eighteen years in corporate and property law.

4. Principal Activities and Objectives

The principal activities of the Group during the financial year have been to provide relief from poverty, distress, sickness, disability, destitution, suffering, misfortune and helplessness to people in need, by:

(a) providing care, accommodation and services for veterans, their dependents and other deserving persons in need;
(b) providing caring, nursing and midwifery services in Australia and New Zealand; and
(c) providing such benevolent relief to people in need as considered necessary to further their health and well-being.

The Group also provides televisual education content for organisations delivering services in residential care and home care in Australia, New Zealand, the United Kingdom and Ireland.

5. Review and results of operations

The operations of the Group are reviewed in the Chairman's Report and the Chief Executive Officer's Report in the separately issued Year in Review.

THE GROUP'S PORTFOLIO

The Group completed two major acquisitions / mergers during the year, significantly increasing the scale of the Group's operations across residential care, retirement living and at home support services.

Residential aged care

	Number of Homes						Number of Allocated Places					
	QLD	NSW	VIC	SA	WA	Total	QLD	NSW	VIC	SA	WA	Total
As at 30 June 2021	21	4	-	-	-	25	2,248	339	-	-	-	2,587
Acacia Living Group merger	-	-	-	-	2	2	-	-	-	-	265	265
Allity acquisition	2	14	16	11	-	43	160	1,191	1,325	1,134	-	3,810
Other increases	-	-	-	-	-	-	10	-	-	-	-	10
As at 30 June 2022	23	18	16	11	2	70	2,418	1,530	1,325	1,134	265	6,672

Retirement villages

	Number of Villages						Number of Independent Living Units					
	QLD	NSW	VIC	SA	WA	Total	QLD	NSW	VIC	SA	WA	Total
As at 30 June 2021	21	4	-	-	-	25	1,670	263	-	-	-	1,933
Construction of new villages	-	-	1	-	-	1	-	-	81	-	-	81
Acacia Living Group merger	-	-	-	-	7	7	-	-	-	-	386	386
Allity acquisition	-	1	1	1	-	3	-	130	20	24	-	174
As at 30 June 2022	21	5	2	1	7	36	1,670	393	101	24	386	2,574

Additionally, the Group provides services to more than 105,000 clients via its various community care programs.

During the year the Group sold its 30% interest in Shanghai Yango & RDNS Healthcare Management Co. Ltd – its joint venture in China. The Group has exited all operations in China.

COVID-19

The Group cares for those members of the community who are most vulnerable to the COVID-19 virus. The Group took early measures to protect clients and residents, often well ahead of mandated public health announcements. 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's Queensland sites to prevent any clients or residents contracting COVID-19 until the Queensland borders were re-opened to interstate travellers in December 2021.

The rapid and widespread escalation of the Omicron variant in the community from December 2021 seriously impacted the entire aged care sector, with the Group experiencing a large number of exposures and outbreaks of both staff and residents. This was despite high levels of vaccination in residents and staff and the application of the Group's COVID-19 prevention and response plans in line with public health requirements.

Whilst infection rates associated with the most recent wave are currently declining, there is no indication that the impact of COVID-19 in the community and aged care sector will materially reduce in the short-term.

The Group has incurred $24,220,000 (2021: $6,835,000) in additional costs in managing COVID-19. $5,032,000 (2021: $11,647,000) of these costs have been offset by grants received under Federal Government COVID-19 Relief programs.

5. Review and results of operations (continued)

COVID-19 (continued)

Approved Providers are able to apply for Government grants to recover some of the costs associated with COVID-19 outbreaks. Government grants do not presently cover preventative measures taken by the Group outside of outbreak periods in specific homes. Due to the volume of claims being processed across the sector, the Government's stated targets of confirming grants within 6 – 8 weeks of submission are not being met.

The Group has lodged grant claims of $15,720,000 (2021: nil) for costs incurred during the year ended 30 June 2022, which, if confirmed, will be recorded as revenue in the next financial year. While each of these claims has been lodged prior to 30 June 2022, due to lengthy processing times by the Government, these grant claims have yet to be confirmed. The Group has determined that under Australian Accounting Standards, grant claims are not recognisable as income until such time as the Group has been issued with a formal confirmation letter from the Government for each grant claim. Based on previous experience and the processes adopted by the Group prior to submission of grant claims, including the independent assurance of its submissions of claims exceeding $150,000, the Group believes that its grant applications meet all eligibility criteria. However, approval of submitted claims is wholly managed by Government and as such the Group does not control the outcome of its claims.

The Group acknowledges and welcomes the additional grants received under Federal Government COVID-19 relief programs. These grants do not however compensate for the negative impacts of repeated and extended COVID-19 lockdowns on occupancy in both residential care and retirement living. On-site inspections by potential residents and in some cases, the ability to admit new residents, has been restricted by lockdown requirements. Consumer confidence in the sector, having already been impacted by the findings of the Royal Commission into Aged Care Quality and Safety, has been further affected by COVID-19 outbreaks in communities in the eastern states of Australia. While repeated lockdowns during the year, particularly in Victoria, have impacted upon the ability for our At Home Support business to deliver non-essential services to clients, our Victorian nurses have continued to support the Department of Health by delivering COVID Call to Test contract swabbing services to high risk and housebound people in Melbourne.

REFORM POST ROYAL COMMISION

The Royal Commission into Aged Care Quality and Safety ("the Royal Commission") handed down its final report on 26 February 2021, making 148 recommendations covering quality, funding and sustainability reforms. The Federal Government responded to these recommendations in May 2021 with a five-year, five pillar aged care reform plan to address services and sustainability, quality and safety, workforce, governance and home care.

A number of key proposed changes include:

- A new residential care funding model (AN-ACC) to replace the current ACFI model for implementation from October 2022;
- Extending the role of the existing hospitals pricing authority to include an aged care advisory function;
- Measures to improve transparency including a Star Rating system for the quality of aged care services by the end of 2022;
- A new value based Aged Care Act by July 2023;
- Minimum care time for residents by October 2023; and
- Discontinuing the Aged Care Approvals Round and allocating residential care places to consumers as opposed to the current bed licence arrangements from July 2024.

The passing of the Aged Care and Other Legislation Amendment (Royal Commission Response) Act in 2022 on 2 August 2022 confirmed a number of reforms including AN-ACC which commenced on 1 October 2022, mandated minimum care minutes from October 2023 and the establishment of the Independent Health and Aged Care Pricing Authority to provide cost and pricing information to Government. Many changes are still to be legislated, including a new Aged Care Act.

The implementation of many proposals requires considerable design, development and consultation, all of which will need to be successfully completed before the full impact to consumers and operators can be known.

5. Review and results of operations (continued)

REVIEW OF FINANCIAL PERFORMANCE

The merger with Acacia Living Group Limited on 1 November 2021 and the acquisition of Allity on 28 February 2022 has seen the Group's Operating EBITDA increase by 126%, from $32,512,000 to $73,608,000. In addition to depreciation, amortisation and net finance costs, Operating EBITDA excludes those revenue and expense items associated with COVID-19 and items that are not core to the ongoing operations of the Group, including the costs of transaction due diligence and execution. The calculation of Operating EBITDA is shown on page 10.

Operating EBITDA is analysed for each business line on page 11. The financial impact of the addition of Acacia Living Group and Allity to the Group can be seen in the increased operating EBITDA of both residential aged care and retirement living.

The Group's statutory net deficit after income tax for the year was $1,459,000 (2021: deficit of $8,157,000). Notwithstanding the statutory net deficit, the Group had net assets of $251,379,000 at 30 June 2022 (2020: $214,179,000), a 17% increase over the previous year. The Group also generated net cash from operating activities of $16,237,000 (2021: $27,256,000).

REVIEW OF FINANCIAL POSITION

The Group's balance sheet has $251,379,000 (2021: $214,179,000) of equity supporting $3,372,442,000 (2021: $1,380,590,000) of total assets. At 30 June 2022 the Group had bank debt of $911,029,000 (2021: $158,886,000). The increase in bank debt was used to fund the acquisition of Allity and to repay debt owing by Acacia Living Group Limited on the effective date of the merger. Bank debt was also used to fund the construction of Europa on Alma – 81 independent living apartments in St Kilda. Europa on Alma began welcoming residents in December 2021.

5. Review and results of operations (continued)

	2022 $'000	2021 $'000
Total operating revenue	**711,738**	507,252
Operating expenditure		
Employee benefits expense	**(469,659)**	(364,690)
Occupancy expenses	**(43,989)**	(23,630)
Repairs, maintenance and replacements	**(17,816)**	(12,152)
Rates and taxes	**(7,054)**	(5,291)
Information technology expenses	**(22,681)**	(20,853)
Share of loss of associate	**(57)**	(521)
Other expenses	**(76,874)**	(47,603)
Net operating expenses	**(638,130)**	(474,740)
Operating EBITDA	**73,608**	32,512
Non-operating income		
Surplus on disposal of assets	926	516
COVID-19 subsidy income	5,032	11,647
Fair value increment/(decrement) on retirement village assets	15,874	(992)
Non-operating expenses		
Retirement village residents' share of fair value (increment)/ decrement	(10,966)	2,246
Due diligence and acquisition costs	(14,085)	-
COVID-19 expenses	(24,220)	(6,835)
Total EBITDA	46,169	39,094
Depreciation and amortisation	(45,649)	(38,836)
Finance costs	(19,669)	(8,418)
Finance income	2,935	792
Deficit for the year before income tax	(16,214)	(7,368)
Income tax benefit / (expense)	14,755	(789)
Deficit for the year after income tax	(1,459)	(8,157)

5. Review and results of operations (continued)

Year ended 30 June 2022	Residential Care $'000	Retirement Living $'000	At Home Support $'000	Other (i) $'000	Total $'000
Total operating revenue	**396,218**	**35,066**	**258,051**	**22,403**	**711,738**
Operating expenditure					
Employee benefits expense	(229,845)	(5,404)	(169,261)	(65,149)	**(469,659)**
Occupancy expenses	(35,851)	(2,451)	(1,379)	(4,308)	**(43,989)**
Repairs, maintenance and replacements	(13,018)	(3,611)	(520)	(667)	**(17,816)**
Rates and taxes	(3,100)	(2,643)	(15)	(1,297)	**(7,054)**
Information technology expenses	(984)	(44)	(2,591)	(19,062)	**(22,681)**
Share of loss of associate	-	-	-	(57)	**(57)**
Other expenses (ii)	(41,395)	(10,393)	(64,786)	39,700	**(76,874)**
Net operating expenses	**(324,194)**	**(24,546)**	**(238,552)**	**(50,838)**	**(638,130)**
Operating EBITDA	**72,024**	**10,520**	**19,499**	**(28,435)**	**73,608**
Non-operating income					
Surplus on disposal of assets	-	-	-	926	**926**
COVID-19 subsidy income	-	-	-	5,032	**5,032**
Fair value increment on retirement village assets	-	15,874	-	-	**15,874**
Non-operating expenses					
Retirement village residents' share of fair value increment	-	(10,966)	-	-	**(10,966)**
Due diligence and acquisition costs	-	-	-	(14,085)	**(14,085)**
COVID-19 expenses	-	-	-	(24,220)	**(24,220)**
Total EBITDA	**72,024**	**15,428**	**19,499**	**(60,782)**	**46,169**
Depreciation and amortisation	(22,926)	(12)	(2,476)	(20,235)	**(45,649)**
Finance costs	(949)	-	(565)	(18,155)	**(19,669)**
Finance income	12	30	-	2,893	**2,935**
(Deficit) / surplus for the year before income tax	48,161	15,446	16,458	(96,279)	**(16,214)**
Income tax benefit	-	-	-	14,755	**14,755**
(Deficit) / surplus for the year after income tax	**48,161**	**15,446**	**16,458**	**(81,524)**	**(1,459)**

(i) Other includes Altura Learning, RDNS Hong Kong, corporate cost centres and consolidation eliminations
(ii) Other expenses includes the internal allocation of corporate overhead costs to the individual business lines

5. Review and results of operations (continued)

Year ended 30 June 2021	Residential Care $'000	Retirement Living $'000	At Home Support $'000	Other (i) $'000	Total $'000
Total operating revenue	**230,185**	**26,699**	**249,104**	**1,264**	**507,252**
Operating expenditure					
Employee benefits expense	(154,253)	(4,652)	(153,963)	(51,822)	**(364,690)**
Occupancy expenses	(18,005)	(791)	(828)	(4,006)	**(23,630)**
Repairs, maintenance and replacements	(8,708)	(2,559)	(422)	(463)	**(12,152)**
Rates and taxes	(2,251)	(2,347)	(1)	(692)	**(5,291)**
Information technology expenses	(281)	(55)	(2,035)	(18,482)	**(20,853)**
Share of loss of associate	-	-	-	(521)	**(521)**
Other expenses (ii)	(28,495)	(9,285)	(69,598)	59,775	**(47,603)**
Net operating expenses	**(211,993)**	**(19,689)**	**(226,847)**	**(16,211)**	**(474,740)**
Operating EBITDA	**18,192**	**7,010**	**22,257**	**(14,947)**	**32,512**
Non-operating income					
Surplus on disposal of assets	-	-	5	511	**516**
COVID-19 subsidy income	-	-	-	11,647	**11,647**
Non-operating expenses					
Fair value decrement on retirement village assets	-	(992)	-	-	**(992)**
Retirement village residents' share of fair value increment	-	2,246	-	-	**2,246**
COVID-19 expenses	-	-	-	(6,835)	**(6,835)**
Total EBITDA	**18,192**	**8,264**	**22,262**	**(9,624)**	**39,094**
Depreciation and amortisation	(16,830)	-	(1,998)	(20,008)	**(38,836)**
Finance costs	(1,869)	-	(616)	(5,933)	**(8,418)**
Finance income	-	106	-	686	**792**
(Deficit) / surplus for the year before income tax	(507)	8,370	19,648	(34,879)	**(7,368)**
Income tax expense	**-**	**-**	**-**	**(789)**	**(789)**
(Deficit) / surplus for the year after income tax	**(507)**	**8,370**	**19,648**	**(35,668)**	**(8,157)**

(i) Other includes Altura Learning, RDNS Hong Kong, corporate cost centres and consolidation eliminations
(ii) Other expenses includes the internal allocation of corporate overhead costs to the individual business lines

6. Significant changes in state of affairs

On 1 November 2021, Acacia Living Group Limited joined the Group through a merger. Acacia Living Group Limited operates two residential aged care facilities, seven retirement villages, respite and home care operations in Western Australia.

On 28 February 2022, the Group acquired 100% of the shares in Australian Aged Care Partners Holdings Pty Ltd (trading as Allity). Allity operates 43 residential aged care facilities and three retirement villages throughout Queensland, New South Wales, Victoria and South Australia.

There has been no other significant change in the Group's state of affairs or the Group's operations during the financial year.

7. Going concern

The Consolidated Statement of Financial Position discloses total current assets of $189,208,000 (2021: $88,627,000) and total current liabilities of $2,126,956,000 (2021: $928,142,000). This largely arises because retirement village resident loans and refundable accommodation deposits (RADs), totalling $1,900,231,000 (2021: $770,991,000), 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. Retirement village resident loans and RADs are classified as a current liability because the Group does not have an unconditional right to defer settlement of resident loans 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 financing activities $238,503,000 (2021: $128,876,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $308,918,000 (2021: $140,851,000).

In addition, the Group has a liquidity management strategy in place that requires available liquidity to be equal to or in excess of 6% (2021: 10%) of the total RADs liability, to ensure that refunds can be paid as and when they fall due. The current minimum liquidity level set by the Liquidity Management Strategy is $80,000,000 (2021: $40,000,000). This is 6.0% (2021: 12.0%) of the RADs liability of $1,314,752,000 (2021: $333,483,000) 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.

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.

8. Indemnification and insurance of officers and auditors

Pursuant to the Constitution, all Directors and Company Secretaries, past and present, have been indemnified against all liabilities incurred by them in their capacity as a director or officer of the Company (except where the liability relates to a breach of certain provisions of the *Corporations Act 2001 (C'th)*) and against liability for certain legal costs. Since the end of the previous financial year, the Company has not indemnified or agreed to indemnify any person who is or has been an auditor of the Group against any liabilities.

During the financial year the Company has paid an insurance premium insuring the Directors and Officers of the Company 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 Company. 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.

9. Environmental regulation

The Group provides services from a number of properties which it has developed over the years across Australia. They are subject to legislation regulating land development. Consents, approvals and licences are generally required for all developments and it is usual for them to be granted with conditions. The Group complies with these requirements by ensuring that all necessary consents, approvals and licences are obtained prior to any project being commenced and consents, approvals and licences are implemented in order to ensure compliance with conditions. To the best of the Directors' knowledge, all projects have been undertaken in substantial compliance with these requirements.

10. Economic dependency

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

11. Non-audit services

Non-audit services of $41,000 (2021: nil) were provided by the Group's auditor during the financial year for consulting on the Group's Environment, Social and Governance strategy.

12. Events subsequent to reporting date

In the opinion of the Directors, 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.

13. Contribution in winding up

The Company is incorporated under the *Corporations Act 2001 (C'th)* and is a company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute towards meeting any outstanding obligations of the entity. The Constitution requires each member to contribute a maximum of $10. At 30 June 2022, the total amount that members of the Company were liable to contribute if the Company was wound up was $270 (2021: $230).

14. Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012 (C'th)* is presented on page 16.

15. Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding Financials / Directors' Reports) Instrument 2016/191, dated 26 March 2016, and in accordance with the Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 26 October 2022

Deloitte.

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The Board of Directors
RSL Care RDNS Limited
Level 3, 44 Musk Avenue
Kelvin Grove
Qld 4059

26 October 2022

Dear Board Members

RSL Care RDNS Limited

In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of RSL Care RDNS Limited.

As lead audit partner for the audit of the consolidated financial statements of RSL Care RDNS Limited 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 as set out in the *Australian Charities and Not-for-profits Commission Act 2012* 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

Financial Statements

Notes to the Consolidated Financial Statements

Signed Reports

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	**2022 $'000**	2021 $'000
Revenue and other income			
Revenue from continuing operations	B1	**719,704**	519,691
Other income	B1	**926**	516
Fair value increment on retirement village assets	D2	**15,874**	-
Total revenue and other income		**736,504**	520,207
Employee benefits expense	B2	**(490,817)**	(370,305)
Occupancy expenses		**(47,881)**	(24,300)
Repairs, maintenance and replacements		**(17,817)**	(12,171)
Rates and taxes		**(7,054)**	(5,291)
Depreciation and amortisation	B2	**(45,675)**	(39,076)
Information technology expenses		**(23,197)**	(20,915)
Fair value decrement on retirement village assets	D2	**-**	(992)
Retirement village residents' share of fair value (increment)/decrement		**(10,966)**	2,246
Due diligence and acquisition costs		**(14,085)**	(1,300)
Finance costs	B2	**(20,659)**	(8,418)
Share of loss of associate		**(57)**	(521)
Other expenses		**(74,510)**	(46,532)
Net total expenses		**(752,718)**	(527,575)
Deficit for the year before income tax		**(16,214)**	(7,368)
Income tax benefit / (expense)	B3	**14,755**	(789)
Deficit for the year attributable to RSL Care RDNS Limited		**(1,459)**	(8,157)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain/(loss) on revaluation of land and buildings	D1	**23,125**	(9,064)
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	E6	**2,564**	-
Exchange differences on translating foreign operations		**(57)**	331
Other comprehensive income / (deficit) for the year		**25,632**	(8,733)
Total comprehensive income / (deficit) for the year attributable to RSL Care RDNS Limited		**24,173**	(16,890)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

BOLTON CLARKE
Be true to you

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	E1	**150,624**	59,962
Trade and other receivables	C1	**20,202**	18,345
Prepayments and deposits		**12,383**	10,280
Derivative financial instruments	E6	**2,564**	-
Current tax assets		**3,435**	40
Total current assets		**189,208**	88,627
Non-current assets			
Prepayments and deposits		**13,305**	3,274
Property, plant and equipment	D1	**1,261,103**	480,254
Right-of-use assets	E3	**79,681**	80,403
Retirement village assets	D2	**859,583**	661,093
Intangible assets	D3	**960,305**	64,716
Deferred tax assets	B3	**9,257**	-
Investment in associate	F3	**-**	2,223
Total non-current assets		**3,183,234**	1,291,963
Total assets		**3,372,442**	1,380,590
Current liabilities			
Trade and other payables	C2	**80,827**	52,840
Provisions	C3	**95,251**	52,257
Unearned revenue	C4	**38,457**	39,228
Lease liabilities	E3	**11,979**	10,198
Interest-bearing liabilities	E4	**83**	500
Other financial liabilities	E5	**1,900,359**	771,407
Income tax payable		**-**	1,712
Total current liabilities		**2,126,956**	928,142
Non-current liabilities			
Provisions	C3	**9,313**	6,178
Lease liabilities	E3	**73,765**	72,841
Interest-bearing liabilities	E4	**911,029**	158,969
Deferred tax liabilities	B3	**-**	281
Total non-current liabilities		**994,107**	238,269
Total liabilities		**3,121,063**	1,166,411
Net assets		**251,379**	214,179
Equity			
Reserves	E2	**180,165**	141,506
Accumulated surplus		**71,214**	72,673
Total equity		**251,379**	214,179

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Acquisition reserve $'000	Cashflow hedge reserve $'000	Accumulated surplus $'000	Total equity $'000
Balance at 30 June 2020	**128,964**	**(528)**	**21,803**	**-**	**80,830**	**231,069**
Comprehensive income / (deficit) for the year						
Decrement in value of freehold land and buildings	(9,064)	-	-	-	-	(9,064)
Foreign currency translation difference	-	331	-	-	-	331
Deficit for the year	-	-	-	-	(8,157)	(8,157)
Total comprehensive income / (deficit) for the year	**(9,064)**	**331**	**-**	**-**	**(8,157)**	**(16,890)**
Balance at 30 June 2021	**119,900**	**(197)**	**21,803**	**-**	**72,673**	**214,179**
Comprehensive income / (deficit) for the year						
Increment in value of freehold land and buildings	23,125	-	-	-	-	23,125
Foreign currency translation difference	-	(57)	-	-	-	(57)
Fair value gains taken to equity	-	-	-	2,564	-	2,564
Deficit for the year	-	-	-	-	(1,459)	(1,459)
Total comprehensive income / (deficit) for the year	**23,125**	**(57)**	**-**	**2,564**	**(1,459)**	**24,173**
Other Reserves						
Gain on merger (note F1)	-	-	13,027	-	-	13,027
Balance at 30 June 2022	**143,025**	**(254)**	**34,830**	**2,564**	**71,214**	**251,379**

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers, residents and subsidies		**721,522**	525,516
Payments to suppliers and employees		**(708,467)**	(505,009)
Net GST received		**6,747**	5,930
Income tax paid		**(3,359)**	-
Donations and grants received		**2,500**	819
Net cash from operating activities	G4	**18,943**	27,256
Cash flows from investing activities			
Payments for property, plant and equipment		**(57,193)**	(42,904)
Payments for retirement village assets		**(20,886)**	(46,282)
Payments for intangible assets		**(1,019)**	(912)
Net payment for business acquisitions	F1	**(653,608)**	-
Proceeds from sale of property, plant and equipment		**8,054**	1,771
Net cash used in investing activities		**(724,652)**	(88,327)
Cash flows from financing activities			
Payments for resident loans		**(42,684)**	(27,340)
Payments for refundable accommodation deposits		**(195,819)**	(101,536)
Proceeds from resident loans		**88,788**	46,356
Proceeds from refundable accommodation deposits		**220,130**	94,225
Payments of rental bonds		**(71)**	(9)
Repayment of leases		**(7,755)**	(8,784)
Drawdown from interest-bearing loans and borrowings		**766,272**	89,541
Repayment of interest-bearing loans and borrowings		**(14,734)**	(500)
Finance income		**317**	286
Finance costs		**(18,041)**	(7,912)
Net cash from financing activities		**796,403**	84,327
Net increase in cash and cash equivalents		**90,694**	23,256
Cash and cash equivalents at the beginning of the year		**59,962**	36,697
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(32)**	9
Cash and cash equivalents at the end of the year	E1	**150,624**	59,962

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

A. About this report

A1. Basis of preparation and statement of compliance

RSL Care RDNS Limited ('Company') is a public company limited by guarantee, incorporated and domiciled in Australia and is a not-for profit entity for the purpose of preparing the financial statements. The address of the Company's registered office and its principal place of business is Level 3, 44 Musk Avenue, Kelvin Grove, Queensland, Australia.

The financial statements comprise the consolidated financial statements of RSL Care RDNS Limited and the entities it controls (together the "Group"). The nature of the Group's operations and its principal activities are to provide aged care services predominantly within Australia.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012 (C'th).*
- 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") and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures. The Company 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.
- Have been prepared under the historical cost convention, as modified by the revaluation of certain properties and financial instruments at fair value.
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with ASIC Corporations (Rounding Financials / Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.
- Present reclassified comparative information where required for consistency with the current year's presentation.
- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2021.

The financial statements were authorised for issue by the Directors on 26 October 2022.

A2. Significant judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial statements are found in the following notes:

	Note
Deferred management fees	B1
Deferred tax liabilities	B3
Employee benefits provisions	C3
Valuation of land and buildings	D1
Useful lives	D1
Work in progress	D1
Valuation of retirement village assets	D2
Valuation and impairment of intangible assets – goodwill	D3
Valuation and impairment of intangible assets – program library	D3
Valuation and impairment of intangible assets – customer contracts	D3
Fair value of identifiable assets, liabilities and contingent liabilities	F1

A3. Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2022. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated.

A4. Accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

(i) Foreign currency

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at balance date and the consolidated statement of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

A4. Accounting policies (continued)

(i) Foreign currency (continued)
Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance date. Exchange differences arising from the application of these procedures are taken to the consolidated statement of profit or loss, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the consolidated statement of profit or loss and other comprehensive income.

(ii) New and amended standards adopted by the Group

Amendments to AASBs 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 (AASB) 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:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities*
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

On transition to Australian Accounting Standards – Simplified Disclosures, the Group has applied the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires the full retrospective application of AASB 1060. The Group prepared its most recent previous financial statements in the form of general purpose financial statements complying with Australian Accounting Standards – Reduced Disclosure Requirements. Accordingly, the application of AASB 1060 has not impacted the recognition and measurement of amounts presented in the financial statements but has changed the disclosures included in the notes to the financial statements. Comparative information has been provided for all additional disclosures included in the notes to the financial statements where required by AASB 1060.

A5. The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature.
- It is important for understanding the results of the Group.
- It helps to explain the impact of significant changes in the Group's operations
- It relates to an aspect of the Group's operations that is important to its future performance.

A5. The notes to the financial statements (continued)

The notes are organised into the following sections:

B. Results for the year: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items.

C. Working capital and other assets and liabilities: assets and liabilities that are used in the day-to-day operations of the Group.

D. Tangible and intangible assets: assets used by the Group to generate revenues and the methods the Group uses to assess the recoverable amount of the assets.

E. Capital structure and financing: information on the capital structure and funding of the Group.

F. Group structure: explains aspects of the group structure and how changes have affected the financial position and performance of the Group.

G. Other items: other disclosures that may be relevant to understanding the financial position and performance of the Group.

A6. Key events and transactions for the reporting period

(a) Impact of COVID-19

The Group cares for those members of the community who are most vulnerable to the COVID-19 virus. The Board's and management's key focus during the COVID-19 pandemic has been to implement leading clinical governance practices to protect the health, well-being and safety of our staff, residents and clients from potential infection. Strict infection control measures have been implemented across all facilities and are also practiced by our staff who provide care in clients' homes.

As a result of COVID-19, the Group's financial performance during 2022 has been directly and indirectly impacted with additional costs and reduced revenue. These impacts are described in Section 5 of the Directors' Report.

(b) Construction of Europa on Alma retirement village

In December 2021 the Group completed the construction of a new 81 apartment independent living facility (retirement village) in St Kilda, Victoria. The construction was funded by the Group's secured debt facility (note E4) and is recorded in Investment Property, at its fair value at 30 June 2022 (note D2).

(c) Merger with Acacia Living Group Limited

On 1 November 2021, Acacia Living Group Limited (a public company limited by guarantee and a not-for-profit entity) joined the Group through a merger. Acacia Living Group Limited has two residential aged care facilities, seven retirement villages, respite and home care operations in Western Australia. An acquisition reserve of $13,027,000 was recorded as a result of the merger, reflecting the fair value of the net assets of Acacia Living Group Limited on 1 November 2021 (note F1).

(d) Acquisition of Allity

On 28 February 2022, the Group acquired 100% of the shares in Australian Aged Care Partners Holdings Pty Ltd (trading as Allity). Allity operates 43 residential aged care facilities and three retirement villages throughout Queensland, New South Wales, Victoria and South Australia. The acquisition was funded through the Group's secured debt facility (note E4) and generated goodwill of $899,063,000 (note F1).

A7. Going concern

The Consolidated Statement of Financial Position discloses total current assets of $189,208,000 (2021: $88,627,000) and total current liabilities of $2,126,956,000 (2021: $928,142,000). This largely arises because retirement village resident loans and refundable accommodation deposits (RADs), totalling $1,900,231,000 (2021: $770,991,000), 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. Retirement village resident loans and RADs are classified as a current liability because the Group does not have an unconditional right to defer settlement of resident loans 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 financing activities $238,503,000 (2021: $128,876,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $308,918,000 (2021: $140,851,000).

In addition, the Group has a liquidity management strategy in place that requires available liquidity to be equal to or in excess of 6.0% of the total RADs liability, to ensure that refunds can be paid as and when they fall due. The current minimum liquidity level set by the Liquidity Management Strategy is $80,000,000 (2021: $40,000,000). This is 6.0% (2021: 12.0%) of the RADs liability of $1,314,752,000 (2021: $333,483,000) 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.

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.

B. Results for the year

Results for the year provides a breakdown of individual line items in the consolidated statement of profit or loss that the Directors consider most relevant, including a summary of the accounting policies, judgements and estimates relevant to understanding these line items.

B1. Revenue and other income

(a) Revenue from continuing operations

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) Customer and Client Fees

Residential Care and At Home Support

The Group recognises revenue from residential care facilities and At Home Support services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of services performed are recognised as Unearned Revenue on the statement of financial position.

B1. Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

(i) Customer and Client Fees (continued)

Income from accommodation bond retention fees payable by a residential care resident is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure.

Retirement Living

The Group recognises revenue from retirement living services over time as performance obligations are satisfied, which is as the services are rendered.

(ii) Deferred Management Fees

Revenue from deferred management fees is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data, including industry data. The difference between revenue recognised and contractual deferred management fees earned is recognised as Unearned Revenue on the Statement of Financial Position.

(iii) Government revenue

Government revenue reflects the Group's entitlement to revenue from Australian and New Zealand Governments based upon the specific care and accommodation needs of individual residents and clients. Revenue is recognised over time as services are provided.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are reciprocal in nature are recognised in profit or loss on a systematic basis over the periods in which the Group expenses the related costs for which the grants are intended to compensate. A reciprocal transfer generally occurs when a return obligation exists to the funding provider.

Where such a return obligation exists, revenue is deferred in the statement of financial position and is recognised as deferred income and released to profit or loss as the obligations are satisfied. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire assets are recognised in profit or loss immediately when control is obtained and can be measured reliably.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and fair value of the loan based on prevailing market interest rates.

Government assistance which does not have conditions attached specifically relating to the operating activities of the Group is recognised in accordance with the accounting policies above.

(iii) Donations and bequests

Donations and bequests are recognised as revenue where this is an 'enforceable' contract with a customer with 'sufficiently' specific performance obligations. Income is recognised when the performance obligations are satisfied otherwise the donation is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt.

B1. Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

(iv) Finance income

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method. The effective interest rate method is described in note E7.

(v) Other revenue

Other revenue includes revenue received that is not separately disclosed elsewhere and is recognised based on the proportion of services delivered.

(vi**) Imputed revenue on RAD and bond 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 Group 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.

	2022 $'000	2021 $'000
Customer and client fees	**194,275**	131,490
Government revenue	**487,895**	356,733
Deferred management fees	**15,893**	12,450
Donations	**2,192**	784
Finance income	**317**	286
Other revenue	**16,514**	17,442
Imputed revenue on RAD and bond balances	**2,618**	506
	719,704	519,691

The revenue amounts in the table above are recognised over-time.

Significant judgement

Deferred management fees

Management judgement is applied in the calculation of the expected resident occupancy period over which the deferred management fees are recognised. This is calculated with reference to historical resident occupancy trends.

(a) Other income

The gain or loss on disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the assets. Surpluses or losses on disposal are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

	2022 $'000	2021 $'000
Surplus on disposal of property, plant and equipment	**926**	516

B2. Expenses

This section sets out certain specific expenses included within the following profit or loss line items.

	Note	2022 $'000	2021 $'000
Employee benefit expenses			
Salaries and wages		**366,497**	282,737
Superannuation		**36,660**	26,662
Employee benefit provision expense		**35,553**	29,856
Employee insurance provision		**8,726**	5,009
Agency, contractors and other employee benefits expense		**43,381**	26,041
		490,817	370,305
Depreciation and amortisation			
Property, plant and equipment	D1	**31,574**	23,125
Intangible assets	D3	**4,264**	5,939
Right-of-use assets	E3	**9,837**	10,012
		45,675	39,076
Finance costs			
Interest and finance charges		**18,041**	7,912
Imputed interest cost on RAD and accommodation bond balances	B1	**2,618**	506
		20,659	8,418
Bad debts expense			
Bad debts expense	C1	**803**	212
Loss on disposal of assets			
Loss on disposal of assets		**748**	571

		2022 $'000	2021 $'000
Amounts relating to leases			
Depreciation expense on right-of-use assets		**9,837**	10,012
Interest expense on lease liabilities		**3,031**	3,174
Expense relating to short-term leases		**96**	96
		12,964	13,282

B3. Income tax

While the majority of entities within the Group are exempt from income tax in accordance with Section 50-5 of the *Income Tax Assessment Act 1997* (C'th), certain entities in the Group are liable for income tax in the relevant jurisdiction in which they operate.

Income tax expense/(benefit) represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'surplus before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Significant judgement

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 differences.

B3. Income tax (continued)

(c) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(d) Tax funding and sharing arrangements

A Group subsidiary, Australian Aged Care Partners Holdings Pty Ltd, and its wholly-owned controlled entities (AACPH Tax Group) implemented the tax consolidation legislation as of 26 February 2013.

The head entity, Australian Aged Care Partners Holdings Pty Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The AACPH Tax Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The AACPH Tax Group recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the AACPH Tax 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.

	2022 $'000	2021 $'000
Income tax recognised in profit or loss		
Current tax – in respect of the current year	**(6,772)**	2,604
Current tax – in respect of prior periods	**(1,874)**	105
Deferred tax – in respect of the current year	**(5,056)**	(1,693)
Deferred tax – in respect of prior periods	**(1,053)**	(227)
Total income tax (benefit)/expense recognised in the current year	**(14,755)**	789
The income tax expense can be reconciled to the accounting surplus as follows:		
Deficit before income tax	**(16,214)**	(7,368)
Prima facie income tax expense at 30% (2021: 30%)	**4,865**	(2,210)
Effect of net income that is exempt from taxation	**(16,693)**	3,121
Adjustments recognised in the current year relating to prior periods	**(2,927)**	(122)
Income tax (benefit)/expense recognised in profit or loss	**(14,755)**	789

B3. Income tax (continued)

Deferred tax balances

	2021 $'000	Business combinations $'000	Recognised in profit or loss $'000	2022 $'000
Deferred tax (liabilities)/assets in relation to:				
Accruals	**51**	4,325	-	**4,376**
Employee provisions	**125**	16,278	5,820	**22,223**
Provision for doubtful debts	**-**	149	-	**149**
Land and buildings	**-**	(15,272)	-	**(15,272)**
Intangible assets	**(457)**	(2,051)	289	**(2,219)**
	(281)	3,429	6,109	**9,257**

	2020 $'000	Recognised in profit or loss $'000	2021 $'000
Deferred tax (liabilities)/assets in relation to:			
Accruals	**31**	20	**51**
Employee provisions	**57**	68	**125**
Provision for doubtful debts	**3**	(3)	**-**
Intangible assets	**(2,065)**	1,608	**(457)**
	(1,974)	1,693	**(281)**
Tax losses	208	(208)	-
	(1,766)	(1,485)	**(281)**

B4. ACNC segment information

Segment information is provided to fulfil the reporting requirements of the Australian Charities and Not-for-profits Commission ("ACNC"). In accordance with ACNC requirements segment information is provided to clearly indicate the financial information that relates to ACNC registered charities and the financial information that relates to entities not registered with the ACNC.

	2022			
	Registered Charities *(i)*	Non-registered entities	Eliminations	Consolidated
	$'000	**$'000**	**$'000**	**$'000**
<u>Statement of Profit or Loss and Other Comprehensive Income</u>				
Revenue				
Government subsidies	**487,895**	-	-	**487,895**
Donations and bequests	**2,192**	-	-	**2,192**
Other revenue	**207,422**	38,731	(662)	**245,491**
Total revenue	**697,509**	38,731	(662)	**735,578**
Other income	**893**	33	-	**926**
Total revenue and income	**698,402**	38,764	(662)	**736,504**
Expenses				
Employee benefits expense	**(464,062)**	(26,755)	-	**(490,817)**
Donations (in Australia)	**(207)**	-	-	**(207)**
Other expenses	**(253,682)**	(7,390)	(622)	**(261,694)**
Total expenses	**(717,951)**	(34,145)	(622)	**(752,718)**
Net (deficit) / surplus before income tax	**(19,549)**	4,619	(1,284)	**(16,214)**
Income tax benefit	**-**	14,755	-	**14,755**
Net (deficit) / surplus after income tax	**(19,549)**	19,374	(1,284)	**(1,459)**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Net gain on revaluation of land and buildings	**23,125**	-	-	**23,125**
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of cash flow hedges	**2,564**	-	-	**2,564**
Exchange differences on translating foreign operations	**-**	(57)	-	**(57)**
Total other comprehensive income / (deficit) for the year	**25,689**	(57)	-	**25,632**
Total comprehensive income / (deficit) for the year	**6,140**	19,317	(1,284)	**24,173**

(i) See page 34

B4. ACNC segment information (continued)

	2022			
	Registered Charities *(i)*	Non-registered entities	Eliminations	Consolidated
	$'000	**$'000**	**$'000**	**$'000**
Consolidated Statement of Financial Position				
Assets				
Total current assets	**178,350**	10,858	-	**189,208**
Total non-current assets	**3,164,181**	19,053	-	**3,183,234**
Total assets	**3,342,531**	29,911	-	**3,372,442**
Liabilities				
Total current liabilities	**2,099,474**	27,482	-	**2,126,956**
Total non-current liabilities	**1,008,990**	383	(15,266)	**994,107**
Total liabilities	**3,108,464**	27,865	(15,266)	**3,121,063**
Net assets	**234,067**	2,046	15,266	**251,379**

(i) ACNC Registered Charities

Name of entity	ABN	Deductible Gift Recipient
RSL Care RDNS Limited	90 010 488 454	Yes
RSL Care RDNS Limited as trustee for RSL (QLD) War Veterans' Homes Trust	50 181 542 617	Yes
RSL Care RDNS Limited as trustee for Scartwater (Aged Care) Trust	14 567 533 824	No
Royal District Nursing Service Limited	49 052 188 717	Yes
RDNS Homecare Limited	13 152 438 152	Yes
RDNS 2007 Pty Ltd as trustee for RDNS Charitable Trust	41 099 629 566	No
Acacia Living Group Limited	44 121 436 162	Yes

B5. Fundraising information

Fundraising information is provided to satisfy the requirements of the *Charitable Fundraising Act (NSW) 1991* and the regulations. Similar, but not identical, provisions exist in Queensland, Western Australia and South Australia Fundraising Acts.

Various fundraising activities were conducted during the year including appeals, grants, bequests and regular giving.

The proceeds of fundraising appeals are primarily applied to support community service programs that are considered important in pursuing the charitable purpose and strategic goals of the Group.

	2022 $'000	2021 $'000
Results of fundraising appeals conducted during the year		
Gross proceeds from fundraising appeals	**4,622**	2,781
Less: direct costs of fundraising appeals	**(493)**	(497)
Net surplus obtained from fundraising appeals	**4,129**	2,284

C. Working capital and other assets and liabilities

This section sets out information relating to the working capital and other assets and liabilities of the Group. Working capital includes the assets and liabilities that are used in the day-to-day operations of the Group.

C1. Trade and other receivables

		2022 $'000	2021 $'000
Current			
Trade receivables	(a)	**14,188**	14,033
Allowance for impairment	(b)	**(1,554)**	(1,545)
Net trade receivables		**12,634**	12,488
Sundry receivables		**7,291**	5,729
Security deposits		**277**	128
		20,202	18,345

(a) Trade receivables

The balance of refundable accommodation deposits receivable included in trade receivables at 30 June 2022 is $1,279,000 (2021: $1,485,000).

(b) Allowance for impairment

Trade receivables are reviewed annually for impairment (refer to note E7). As at 30 June 2022 an amount of $8,526,000 (2021: $2,561,000) is outstanding greater than 30 days, excluding refundable accommodation deposits receivable.

C1. Trade and other receivables (continued)

(b) Allowance for impairment (continued)

The movement in the allowance for impairment can be reconciled as follows:

	2022 $'000	2021 $'000
Current		
Balance at 1 July	**1,545**	2,017
Amounts written off (uncollectable)	**(794)**	(684)
Impairment loss	**803**	212
	1,554	1,545

C2. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days or within the terms agreed with the supplier.

	Note	**2022 $'000**	2021 $'000
Current unsecured liabilities			
Trade payables		**24,821**	14,769
Accrued expenses		**34,769**	19,372
Maintenance reserve fund / capital works fund	E1	**12,024**	8,227
Other payables		**9,213**	10,472
		80,827	52,840

C3. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

(a) Employee benefits

A provision has been recognised for employee benefits relating to annual leave and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

C3. Provisions (continued)

(a) Employee benefits (continued)

Significant judgement

Employee benefits provisions

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.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts in current other payables and provisions and represent the amounts expected to be paid when liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable. Liabilities for annual leave are classified as current liabilities irrespective of the expected maturity as there is not a right to defer settlement.

(ii) Long term employee benefits

The provision for long term employee benefits, such as long service leave, represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to the reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted (when material) using the rates attaching to high quality corporate bonds at reporting date which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

The Group is required to make contributions to defined contribution employee superannuation plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Such contributions are charged to profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

The Group also has employees that participate in a defined benefit superannuation plan – Health Super. The defined benefit fund provides lump sum benefits based on years of service and final average salary. The Fund Actuary has recommended that Health Super meets the definition of a defined benefit multi-employer plan under AASB 119 *Employee Entitlements*. As some of the members of the defined benefit fund are current and former employees of other employers, the actuary does not believe there is sufficient information to allocate obligations, assets and costs between employers. As a result, there are adequate grounds to adopt defined contribution accounting in respect of the defined benefit fund.

(b) Self-insurance provision

Along with two other aged care providers, the Company is a member of the Aged Care Employers Self-insurance Group which is licensed as a self-insurer for its Queensland operations with Q-COMP, the Workers' Compensation Regulatory Authority. Through this membership the Company self-insures for Workers Compensation for its employees located in Queensland and accepts the risks previously insured via WorkCover Queensland. In return the Group has greater control of the management of workplace injury and rehabilitation. The self-insurance provisions including expected timing, are calculated on an annual basis by an independent actuarial consultant.

C3. Provisions (continued)

(c) Provision balances

	Note	2022 $'000	2021 $'000
Current			
Employee benefits	(a)	**93,946**	51,480
Self-insurance – workplace injury	(b)	**1,305**	777
		95,251	52,257
Non-current			
Employee benefits	(a)	**7,977**	4,873
Self-insurance – workplace injury	(b)	**1,336**	1,305
		9,313	6,178

(d) Provision movements

Movements in the self-insurance provision during the financial period are set out below:

Workplace injury	2022 $'000	2021 $'000
Balance at the beginning of the year	**2,082**	2,204
Provisions made	**1,714**	1,535
Amounts used	**(1,155)**	(1,657)
Balance at the end of the year	**2,641**	2,082

C4. Unearned revenue

Resident fees in advance represent fees revenue paid by residents in residential care facilities in advance of care being provided. Government funding represents funding received to provide services to clients but for which the relevant client service has not yet been provided. The unearned revenue is recognised when the performance obligations are satisfied.

	2022 $'000	2021 $'000
Current		
Resident fees in advance	**7,236**	8,572
Government funding	**31,221**	30,656
	38,457	39,228

D. Tangible and intangible assets

This section sets out the non-current tangible and intangible assets used by the Group to generate revenues and the methods the Group uses to assess the recoverable amount of these assets.

D1. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

(i) Land and buildings

Freehold land and buildings are measured at fair value, being the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. Valuations are regularly performed by an external independent valuer to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Residential care land and buildings are valued regularly, at least on a cyclical three year basis.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised profit or loss, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to that particular asset being sold is retained in the revaluation reserve.

As no finite life for land can be determined, related carrying amounts are not depreciated.

Significant Judgement

Valuation of land and buildings

Freehold land and buildings are independently valued on a rotational basis, at least every three years. All of the freehold land and buildings of the Group were valued during the year, at either 31 October 2021, 30 April 2022 or 30 June 2022. At 30 June 2022 a fair value assessment was made based on market conditions since the valuations were performed. The resulting movement in property values has been taken to the Asset Revaluation Reserve.

The independent valuer used the following methodology to determine fair value of the Group's Residential Care assets:

a. Calculated the sustainable trading potential for each site (maintainable EBITDA) and capitalised at market assessed rates between 9.7% and 20% (2021: 8% and 20%).
b. Assessed the potential for refundable accommodation deposit (room price) growth.
c. Conducted a depreciated replacement cost analysis to support the valuation calculated in a. and b.

For the year ended 30 June 2022 the Group's approach to property valuations was substantially consistent with prior years but with an added emphasis in relation to the impact of COVID-19 and other global economic impacts (such as economic or political crises or regulatory change) upon inputs relevant to the valuation model for each property.

It should be noted that external valuers have specified in their reports that their valuations at 30 June 2022 were performed in an unusual market context, notably the absence of, or in some asset classes, limited transactional evidence initiated after the outbreak of the COVID-19 pandemic. The external valuers have highlighted the difficulties associated with estimating the outlook for changes in the property market given the nature of the recent health crisis and the impact on forecast valuation inputs and other uncertainties relating to the potential impact of the Royal Commission in to Aged Care Quality and Safety on the industry structure and the funding of care which could lead to significant volatility and have a significant impact on property markets in the future.

D1. Property, plant and equipment (continued)

(ii) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying amount of property, plant and equipment is reviewed annually by the Group to ensure it is not in excess of the recoverable amount of these assets.

(iii) Depreciation

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Other assets, excluding land are depreciated on a straight-line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Buildings and leasehold improvements	2.5% - 33%
Plant and equipment	10% - 33%
Information technology	33%
Motor vehicles	10% - 17%

Significant Judgement

Useful lives

The assets' residual values, useful lives and depreciation rates are reviewed at each reporting date and adjusted prospectively, if appropriate.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Surpluses or losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

(v) Impairment of assets

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.

D1. Property, plant and equipment (continued)

(v) Impairment of assets (continued)

Impairment losses are recognised in profit or loss. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Impairment losses, if any, recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting period.

(vi) Work in progress

Costs relating to the construction and refurbishment of aged care facilities are capitalised as work in progress. The initial capitalisation of costs is based on judgement that the project is expected to generate future economic benefits. Subsequent to determining the initial eligibility for capitalisation the Group reassesses on a regular basis whether projects are still sufficiently probable of completion and expected to deliver desired economic benefits.

Significant Judgement

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.

D1. Property, plant and equipment (continued)

	Note	Freehold land (ii) $'000	Buildings and leasehold improvements (ii) $'000	Plant and equipment $'000	Information Technology $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
2022								
Opening net book amount		**181,241**	**241,181**	**31,372**	**9,606**	**3,375**	**13,479**	**480,254**
Business combinations	F1	289,056	372,509	65,583	1,269	1,184	12,000	**741,601**
Additions		8,239	4,192	7,184	11,775	1,278	24,524	**57,192**
Transfers (i)		119	5,075	1,065	70	-	(9,521)	**(3,192)**
Disposals		(6,000)	-	-	-	(303)	-	**(6,303)**
Revaluation increment / (decrement)		5,794	17,331	-	-	-	-	**23,125**
Depreciation		-	(14,846)	(8,486)	(6,998)	(1,244)	-	**(31,574)**
Closing net book amount		**478,449**	**625,442**	**96,718**	**15,722**	**4,290**	**40,482**	**1,261,103**
Cost / valuation		478,449	702,023	145,000	54,726	13,487	40,482	**1,434,167**
Accumulated depreciation		-	(76,581)	(48,282)	(39,004)	(9,197)	-	**(173,064)**
Net book amount		**478,449**	**625,442**	**96,718**	**15,722**	**4,290**	**40,482**	**1,261,103**

(i) There has been a net decrement of $6,706,000 due to transfers to retirement village assets (refer to Note D2).

(ii) Assets within these classes are used to secure the Group's borrowing facility (refer Note E4).

D1. Property, plant and equipment (continued)

	Freehold land[(ii)] $'000	Buildings and leasehold improvements [(ii)] $'000	Plant and equipment $'000	Information Technology $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
2021							
Opening net book amount	**164,000**	**214,841**	**26,424**	**11,251**	**3,931**	**60,033**	**480,480**
Additions	9,185	295	4,800	2,549	644	25,431	**42,904**
Transfers [(i)]	(3,678)	58,048	5,067	2,016	-	(71,724)	**(10,271)**
Disposals	-	(245)	(10)	(95)	(59)	(261)	**(670)**
Revaluation increment / (decrement)	11,734	(20,798)	-	-	-	-	**(9,064)**
Depreciation	-	(10,960)	(4,909)	(6,115)	(1,141)	-	**(23,125)**
Closing net book amount	**181,241**	**241,181**	**31,372**	**9,606**	**3,375**	**13,479**	**480,254**
Cost / valuation	181,241	306,118	69,653	43,104	12,085	13,479	**625,680**
Accumulated depreciation	-	(64,937)	(38,281)	(33,498)	(8,710)	-	**(145,426)**
Net book amount	**181,241**	**241,181**	**31,372**	**9,606**	**3,375**	**13,479**	**480,254**

(i) There has been a net decrement of $10,271,000 due to transfers to retirement village assets and intangible assets offset against transfers in from non-current assets held for sale (refer to Note D2 and D3).

(ii) Assets within these classes are used to secure the Group's borrowing facility (refer Note E4).

D2. Retirement village assets

Retirement village assets are held as investment properties and treated as such under accounting standard AASB 140 *Investment Property*.

Retirement village assets are measured initially at cost, including transaction costs, and are held to generate income from deferred management fees and the Group's share of the increase in the market value of the investment. Subsequent to initial recognition, retirement village assets are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of retirement village assets are included in profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised in profit or loss.

Transfers to or from investment properties occur when there is a change in use. Where items are transferred to investment properties from property, plant and equipment, the Group accounts for such property in accordance with the accounting policy stated under property, plant and equipment up to the date of change in use after which it is measured at fair value. For a transfer from investment properties, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Significant Judgement

Valuation of retirement village assets

The Group carries its retirement village assets at fair value, with changes in fair value being recognised in profit or loss. Retirement village assets are independently valued on a rotational basis, at least every three years. All of the retirement village assets of the Group were valued during the year at either 31 October 2021, 30 April 2022 or 30 June 2022. At 30 June 2022 a fair value assessment was made based on market conditions since the valuations were performed.

The independent valuations comprise the "in-one-line" value of completed unsold/repurchased stock and rental dwellings; and assessed market value of the proprietary interest (deferred management fees) secured by the existing resident contracts associated with those occupied dwellings, as well as the impact of COVID-19.

The valuer used the following methodology to determine fair value of the Group's retirement village assets:

a. The Group owned stock is valued at estimated net realisable value.

b. Occupied stock is valued based on the discounted value of the future deferred management fee cash flows plus the current value of the exit entitlement.

Investment property valuations are subject to key market-based assumptions including discount rates, the current market value of residential units and the growth in those values over time. The discount and growth rates used as at 30 June 2022 in valuing retirement village assets are as follows:

	2022 **%**	2021 %
Discount rate	**13.3 – 16.0**	13.75 – 16.0
Property price growth rates	**2.5 – 3.5**	2.0 – 3.5

D2. Retirement village assets (continued)

Significant Judgement (continued)

Valuation of retirement village assets (continued)

For the year ended 30 June 2022 the Group's approach to property valuations was substantially consistent with prior years but with an added emphasis in relation to the impact of COVID-19 and other global economic impacts (such as economic or political crises or regulatory change) upon inputs relevant to the valuation model for each property.

It should be noted that external valuers have specified in their reports that their valuations at 30 June 2022 were performed in an unusual market context, notably the absence of, or in some asset classes, limited transactional evidence initiated after the outbreak of the COVID-19 pandemic. The external valuers have highlighted the difficulties associated with estimating the outlook for changes in the property market given the nature of the recent health crisis and the impact on forecast valuation inputs.

	Note	2022 $'000	2021 $'000
Balance at beginning of the year		**661,093**	600,075
Additions – Business Combinations	F1	**158,538**	-
Additions – Capital improvements		**17,372**	7,958
Additions – Work in Progress		**3,513**	38,324
Additions – Transfers from Work in Progress		**3,193**	15,728
Fair value adjustments		**15,874**	(992)
Balance at end of the year		**859,583**	661,093

Retirement village assets are used to secure the Group's borrowing facility (refer Note E4)

D3. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. They are classified as having a useful life that is either finite or indefinite. Assets with finite useful lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication the asset may be impaired. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate. Amortisation expense is recognised in the "Depreciation and Amortisation expenses" in the statement of comprehensive income. Assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication the asset may be impaired. The estimation of useful lives, residual values and impairment requires significant judgement.

(i) Goodwill

Goodwill is an asset recognised in a business combination and represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. It has an indefinite useful life and is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed). After initial recognition, it 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 (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

D3. Intangible assets (continued)

(i) Goodwill (continued)

Significant judgement

Valuation and impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. A CGU may be an aged care home or a group of aged care homes that are operated independently from other assets. 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.

The most sensitive assumptions used in the calculation of value in use are the discount rate, long term growth rate and profile of future residents with respect to accommodation payment preferences. Sensitivity analysis on reasonably likely changes to these assumptions did not result in an outcome where impairment would be required.

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

Long term growth rate reflects an assessment of inflation and perpetual growth using market and economic data.

The discount and growth rates used as at 30 June 2022 in assessing the recoverable amount are as follows:

	2022 **%**	2021 %
Pre-tax discount rate	**10.6 – 11.7**	10.6 – 11.7
Long term growth rate	**2.0 – 2.5**	1.5 – 3.0
Terminal growth rate	**2.5**	2.0

(ii) Software

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits, and the cost can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development costs that do not meet these criteria are an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. The Group's software assets have useful lives between three and eight years.

D3. Intangible assets (continued)

(iii) Software (continued)

Software-as-a-Service (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.

(iii) Residential care bed licences

During the year ended 30 June 2021, residential care bed licences that are acquired separately were considered to have an indefinite useful life. They were tested for impairment in accordance with the policy stated in note D1.

On 29 September 2021 the Department of Health released a discussion paper *Improving Choice in Residential Aged Care – ACAR Discontinuation* on the key issues about improving choice in residential aged care. The Australian Securities and Investments Commission (ASIC) simultaneously released a FAQ that covered potential accounting implications of the deregulation of residential care bed licences.

As a result of these two publications, and subsequent feedback from the Department of Health on the future of residential care bed licences, these assets are now considered to have a finite life that ends on 30 June 2024. As a result, residential care bed licences are being amortised on a straight-line basis down to nil value by 30 June 2024.

(iv) Program library

The Group, through the Altura Learning Group, produces televisual education content for sale to organisations delivering services in residential care and home care. This content is contained within the program library. The Group's program library has a useful life of eight years.

Significant judgement

Valuation and impairment of program library

Determining whether the program library is impaired requires an estimation of the remaining useful life of the underlying programs. The carrying value of the program library has been assessed for impairment at year end and as there have been no significant changes in the useful life or intended use of the program library, no impairment was recognised in the current financial year.

(v) Customer contracts

The Altura Learning Group's customer contracts intangible has a useful life of ten years.

Significant judgement

Valuation and impairment of customer contracts

Determining whether the customer contracts intangible is impaired requires an estimation of the fair value of the customer contracts of the Altura Learning Group. The carrying value of customer contracts has been assessed for impairment at year end and as there have been no significant changes in the useful life or customer base, no impairment was recognised in the current financial year.

D3. Intangible assets (continued)

(vii)Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the asset and are recognised in profit or loss.

	Note	Goodwill $'000	Software $'000	Residential care bed licences $'000	Program library $'000	Customer contracts $'000	Total $'000
2022							
Opening net book amount		47,205	8,237	2,190	6,167	917	**64,716**
Business combinations	F1	899,063	-	-	-	-	**899,063**
Additions		-	552	-	467		**1,019**
Disposals		-	(229)	-	-		**(229)**
Amortisation		-	(2,457)	(730)	(923)	(154)	**(4,264)**
Closing net book amount		946,268	6,104	1,460	5,711	762	**960,305**
Cost		974,103	31,913	2,190	17,358	1,876	**1,027,440**
Accumulated amortisation and impairment		(27,835)	(25,809)	(730)	(11,647)	(1,114)	**(67,135)**
Net book amount		946,268	6,104	1,460	5,711	762	**960,305**
2021							
Opening net book amount		47,205	12,947	2,190	6,867	1,130	**70,339**
Additions		-	21	-	891	-	**912**
Transfers from WIP		-	264	-	-	-	**264**
Disposals		-	(860)	-	-	-	**(860)**
Amortisation		-	(4,135)	-	(1,591)	(213)	**(5,939)**
Closing net book amount		47,205	8,237	2,190	6,167	917	**64,716**
Cost		75,040	33,764	2,190	13,578	2,130	**126,702**
Accumulated amortisation and impairment		(27,835)	(25,527)	-	(7,411)	(1,213)	**(61,986)**
Net book amount		47,205	8,237	2,190	6,167	917	**64,716**

E. Capital structure and financing

This section provides information on the capital structure and funding of the Group.

E1. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call within financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

		2022 $'000	2021 $'000
Cash at bank and on hand		**120,723**	40,139
Short-term deposits		**515**	93
Trust account	(a)	**82**	69
Secure capital replacement fund	(a)	**14,653**	10,509
Maintenance reserve fund / capital works fund	(a)	**14,651**	9,152
Cash and cash equivalents in the Consolidated Statement of Cash Flows		**150,624**	59,962

(a) Restricted cash

The amount of restricted cash included in cash and cash equivalents but not available for use is:

	2022 $'000	2021 $'000
Restricted cash	**29,386**	19,730

(b) Interest rates

The effective interest rate on cash at bank was 0.01% (2021: 0.01%). The effective rate on short term bank deposits was 0.34% (2021: 0.20%).

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(c) Secure capital replacement fund

Under the Retirement Villages Act 1999 (QLD) and Retirement Villages Act 1999 (NSW), the Group contributes to a secure capital replacement fund, which is used for the sole purpose of replacing retirement village capital items and is therefore regarded as restricted cash. The required contribution to the fund is determined annually based on an independent quantity surveyor's report.

E1. Cash and cash equivalents (continued)

(d) Maintenance reserve fund / capital works fund

Under the Retirement Villages Act 1999 (QLD) and Retirement Villages Act 1999 (NSW), residents of the Group's retirement villages contribute to a maintenance reserve fund (QLD) and capital works fund (NSW) which is for the sole purpose of maintaining and repairing retirement village capital items and is therefore regarded as restricted cash. The residents' required contribution to the fund is determined annually by an independent quantity surveyor. The balance of the maintenance reserve fund / capital works fund is included gross in the reported cash and cash equivalent balance as well as a maintenance reserve fund liability presented in the consolidated statement of financial position.

E2. Reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relates to an increase on the same asset class previously recognised in the reserve.

(ii) Acquisition reserve

The acquisition reserve was created on the merger with RDNS in 2016. The acquisition reserve reflects the fair value of the net assets of RDNS on the date of the merger. In 2022 the amount of the reserve was increased as a result of the merger with Acacia Living Group Limited (see note F1). The increase represents the excess fair value of the net assets of Acacia Living Group Limited over the net consideration paid on the date of the merger.

(iii) Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

(iv) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred (see note E6).

Included in the cash flow hedge reserve is $623,000 (2021: nil) relating to the cost of hedging reserve. Changes in the fair value of the cash flow hedging instruments relating to the time value of money have been recognised in the cost of hedging reserve.

E3. Right-of-use assets and lease liabilities

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.

E3. Right-of-use assets and lease liabilities (continued)

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 periods presented.

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.

E3. Right-of-use assets and lease liabilities (continued)

The following depreciation rates are used:

Class of Asset	Depreciation Rate
Buildings	2.5% - 33%
Motor vehicles	10% - 17%
Equipment	10% - 33%
Software	33%

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 D1.

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 20 years (2021: 20 years) while the average lease term of the other assets is 6 years.

The total cash outflow for leases amounted to $7,755,000 (2021: $14,720,000).

(a) Right-of-use assets

	Note	Buildings $'000	Motor vehicles $'000	Equipment $'000	Software $'000	Total $'000
2022						
Opening net book amount		66,528	10,386	3,268	221	**80,403**
Business combinations	F1	3,732	-	-	-	**3,732**
Additions		253	8,551	2,345	-	**11,149**
Disposals		(367)	(5,399)	-	-	**(5,766)**
Depreciation		(6,378)	(1,903)	(1,335)	(221)	**(9,837)**
Closing net book amount		63,767	11,636	4,278	-	**79,681**
Cost		87,635	13,619	10,047	221	**111,522**
Accumulated depreciation		(23,868)	(1,983)	(5,769)	(221)	**(31,841)**
Net book amount		**63,767**	**11,636**	**4,278**	**-**	**79,681**

E3. Right-of-use assets and lease liabilities (continued)

(a) Right-of-use assets (continued)

	Buildings $'000	Motor vehicles $'000	Equipment $'000	Software $'000	Total $'000
2021					
Opening net book amount	**73,293**	**10,570**	**4,526**	**751**	**89,140**
Additions	1,963	3,817	375	-	**6,155**
Disposals	(2,447)	(2,433)	-	-	**(4,880)**
Depreciation	(6,281)	(1,568)	(1,633)	(530)	**(10,012)**
Closing net book amount	66,528	10,386	3,268	221	**80,403**
Cost	85,287	12,670	6,113	1,590	**105,660**
Accumulated depreciation	(18,760)	(2,283)	(2,845)	(1,369)	**(25,257)**
Net book amount	**66,528**	**10,386**	**3,268**	**221**	**80,403**

(b) Lease liabilities

	2022 $'000	2021 $'000
Current	**11,979**	10,198
Non-current	**73,765**	72,841
	85,744	83,039

(c) Future minimum lease payments

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

	2022 $'000	2021 $'000
Not later than one year	**11,979**	10,198
Later than one year and not later than five years	**34,878**	72,841
Later than five years	**38,887**	-
	85,744	83,039

(d) Concessionary leases

The Group leases properties for terms that are significantly below market, that enable the Group to further its charitable purpose. In accordance with AASB 2018-18 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*, the Group recognises the right-of-use assets associated with the leases at cost. These leases are an immaterial proportion of the Group's operating assets.

E4. Interest bearing liabilities

(a) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, with any difference between amortised cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance costs are recognised in profit or loss as incurred on an effective interest rate method, except where interest costs relate to qualifying assets in which case they are capitalised to the cost of the assets. If borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of finance costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings.

(i) Unsecured Commonwealth Government loan

This loan has been provided to the Group by the Department of Social Services on behalf of the Commonwealth Government for the express purpose of capital works to provide residential care services in the aged care planning region of West Moreton in Queensland. The loan was fully drawn down to $5 million and is repayable in 119 equal monthly instalments of $41,667 per month commencing in September 2012 with a final instalment paid in August 2022.

(ii) Committed facilities

On 14 February 2022, the Group refinanced the debt facility, increasing the facility amount to $1.14 billion (including a $30 million bank guarantee facility). The primary purpose for increasing the size of the facility was to enable the acquisition of Allity (see note F1). The facility expires on 13 February 2027. The facility is secured by registered mortgages over the real property assets of the Group as well as a general security interest over all property of the operating entities within the Group.

The primary purpose of the unutilised facility is to fund future property developments. The facility will also be used to meet the prudential requirements of the *Aged Care Act 1997 (Cth)* – to demonstrate sufficient liquidity to return refundable accommodation deposits to departing residents, as they fall due (refer to note E5(b)). Excluding bank guarantees, at 30 June 2022, the Group had drawn $911,029,000 (2021: $158,886,000) with $198,971,000 (2021: $281,114,000) available as undrawn facilities.

(b) Carrying amount

	2022 $'000	2021 $'000
Current		
Unsecured Commonwealth Government loan	**83**	500
Non-current		
Secured loan	**911,029**	158,886
Unsecured Commonwealth Government loan	**-**	83
	911,029	158,969

E5. Other financial liabilities

		2022 $'000	2021 $'000
Retirement village entry contributions	(a)	**585,479**	437,508
Refundable accommodation deposits	(b)	**1,314,752**	333,483
Other loans	(c)	**128**	416
		1,900,359	771,407

(a) Retirement village entry contributions

Retirement village entry contributions relate to equity-funded independent living unit agreements. Entry contributions are non-interest bearing and are recognised at fair value with resulting fair value adjustments recognised in profit or loss. Fair value is the amount payable on demand and is measured at the principle amount plus the resident's share of any increases in the market value of the occupied unit (for contracts that contain a capital gain share clause) less deferred management fees contractually accruing up to reporting date.

The Group guarantees repayment of the resident's loan within the earlier of six or 18 months (depending on the resident agreement) from cessation of occupancy or 14 days from receipt of a replacement resident's loan.

(b) Refundable accommodation deposits

Refundable accommodation deposits (RADs) are paid by residents for their accommodation upon their admission to care facilities and are settled after a resident vacates the premises in accordance with the *Aged Care Act 1997 (Cth)*. Approved Providers must pay a base interest rate on all refunds on RADs within legislated time frames and must pay a penalty on refunds made outside legislated time frames. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as accommodation bonds.

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.

Prior to 1 July 2014, accommodation bonds were not payable by residents paying a high care accommodation payment. From 1 July 2014, under the Living Longer Living Better reforms, residents can choose to pay a full lump sum (RAD), a regular rental-type payment called a "daily accommodation payment" (DAP), or a combination of both.

Accommodation bond balances are reduced by annual retention fees charged in accordance with the *Aged Care Act 1997 (Cth)*. However, retention fees are not applicable post 1 July 2014 for RADs.

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following 12 months. Providers are also required to implement and maintain a liquidity management strategy. The Group uses a combination of cash and uncommitted borrowing facilities to meet its liquidity requirements (refer note E4(a)(ii)).

A RAD is refundable within 14 days upon receipt of Probate or Letters of Administration for deceased residents, or 14 days from advice of departure for residents transferred to another facility. As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities. The RAD liability is spread across a large proportion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents.

E5. Other financial liabilities

(c) Other loans

Other loans represent amounts received into the Group's "non-deeming" fund on an interest-free basis from supporters of the Group's activities. Invariably, these loans have been received from intending residential care residents who have chosen to invest in the Fund in return for negotiating a reduction in their accommodation bond.

E6. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into and are subsequently remeasured at fair value or "market to market" at each reporting date. The gain or loss on remeasurement is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument, in which case the remeasurement is measured in equity.

(i) Hedge accounting

At inception of the hedge relationship, the Group formally designates the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Group also documents its assessment at hedge inception date and on an ongoing basis as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and a qualitative assessment is performed to assess effectiveness. If changes in circumstances affect the terms of the hedged item, such as the terms no longer match exactly with the critical terms of the hedged instrument, a hypothetical derivative method is used to assess effectiveness.

The Group has entered into cash flow hedges. A cash flow hedge is a derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction. A cash flow hedge is used to swap variable interest rate payments to fixed interest rate payments in order to manage the Group's exposure to interest rate risk.

The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the cash flow hedge reserve. The change in fair value that is identified as ineffective is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are transferred to profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(ii) Netting of payments

Derivative transactions are administered under International Swaps and Derivatives Association (ISDA) Master Agreements. Where certain credit events occur, such as default, the net position owing / receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. The Group does not currently have legally enforceable right of set-off between transaction types and therefore these amounts are presented separately in the consolidated balance sheet.

ISDA's held with counterparties allow for the netting of payments and receipts for the settlement of interest rate swap transactions.

E6. Derivative financial instruments (continued)

The following information relates to the Group's cash flow hedges:

	2022 $'000	2021 $'000
Current assets		
Interest rate swaps	**2,564**	-
Change in fair value of hedging instruments recognised in other comprehensive income	**2,564**	-

The Group currently has interest rate swaps in place to cover 24.7% (2021: nil) of the variable rate borrowings. The weighted average maturity of interest rate swaps is 2.3 years (2021: nil).

E7. Financial instruments

The classification of financial instruments depends on the nature and purpose of the asset or liability and is determined at the time of initial recognition. The Group has the financial assets and liabilities which are all measured at amortised cost using the effective interest rate method, with the exception of interest rate swaps which are measured at fair value:

	Note Reference
Financial assets	
Trade and other receivables	C1
Cash and cash equivalents	E1
Interest rate swaps (Derivative financial instruments)	E6
Financial liabilities	
Lease liabilities	E3
Loans (Interest-bearing liabilities)	E4
Trade and other payables	C2
Other financial liabilities	E5

E7. Financial instruments (continued)

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All regular way purchases or sales are recognised and derecognised on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. Any directly attributable transaction costs on acquisition or issue are either:

- recognised immediately in profit or loss (for financial assets and liabilities at fair value); or
- added to or deducted from the fair value of the financial asset or liability (for all others).

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; or
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; or
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(ii) Measurement bases

Amortised cost using the effective interest rate method

Amortised cost applies to both financial assets and financial liabilities. The effective interest rate method is used for amortising premiums, discounts and transaction costs for both financial assets and financial liabilities. When applying the effective interest rate method, interest is recognised in profit or loss in the period in which it accrues, even if payment is deferred.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. Amortisation under this method reflects a constant period return on the carrying amount of the asset or liability.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, without consideration of future credit losses, over the expected life of the financial instrument, or through to the next market-based repricing date, to the net carrying amount of the financial instrument on initial recognition.

Fair value

The fair value of cash and cash equivalents and non-interest bearing financial assets and liabilities (including trade and other receivables and trade and other payables) approximate their carrying amounts largely due to the short maturity.

Financial assets and financial liabilities measured at fair value are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

E7. Financial instruments (continued)

(ii) Measurement bases (continued)

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, i.e. as prices, or indirectly i.e. derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of interest rate swaps is determined as the net present value of contracted cash flows. The existing exposure method, which estimates future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements, has been adopted for interest rate swaps.

The Group's derivative financial instruments are classified as Level 1 (2021: not applicable). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2021: nil).

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. The fair value of interest-bearing borrowings, including leases, are determined by discounting the remaining contractual cash flows at the relevant credit adjusted market interest rates at the reporting date.

(iii) Derecognition

The Group derecognises a financial asset when substantially all the risks and rewards of ownership are transferred, or the contractual rights to the cash flows from the asset expire. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

When a financial asset is derecognised in its entirety, the profit or loss recognised is calculated as:

The asset's carrying amount – [Consideration received or receivable + cumulative gain or loss recognised in other comprehensive income].

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments, lease receivables and trade receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

E7. Financial instruments (continued)

(iv) Impairment of financial assets (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Carrying amounts

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

	Note	2022 $'000	2021 $'000
Financial assets measured at fair value through other comprehensive income			
Current			
Interest rate swaps	E6	**2,564**	-
Financial assets measured at amortised cost			
Current			
Cash and cash equivalents	E1	**150,624**	59,962
Trade and other receivables	C1	**20,202**	18,345
		170,826	78,307
Total financial assets		**173,390**	78,307
Financial liabilities measured at amortised cost			
Current			
Trade and other payables	C2	**80,827**	52,840
Lease liabilities	E3	**11,979**	10,198
Interest-bearing liabilities	E4	**83**	500
Other financial liabilities	E5	**1,900,359**	771,407
		1,993,248	834,945
Non-current			
Lease liabilities	E3	**73,765**	72,841
Interest-bearing liabilities	E4	**911,029**	158,969
		984,794	231,810
Total financial liabilities		**2,978,042**	1,066,755

F. Group structure

This section sets out the legal structure of the Group. It provides information on business combinations and details on controlled entities and associates.

F1. Business combinations

A business combination is accounted for by applying the acquisition method. Using the acquisition method, one of the combining entities must be identified as the acquirer (ie parent entity). On acquisition date (that date that the parent entity obtains control over the acquiree), the parent entity recognises in the consolidated financial statements the fair value of the identifiable assets and liabilities acquired. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured. The acquisition may result in the recognition of goodwill or acquisition reserve in equity.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements of the parent. Consideration may comprise the sum of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of any consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through profit or loss unless the change in value can be identified as existing at acquisition date. All transaction costs incurred in relation to the business combination are expensed in profit or loss.

(a) Details of acquisitions

During the year ended 30 June 2022 the Group acquired:

Date	Acquisition Type	Name	Principal Activity
1 November 2021	Merger	Acacia Living Group Limited	Residential aged care, retirement living and At Home Support services in Western Australia.
28 February 2022	Acquisition of 100% of the shares	Australian Aged Care Partners Holdings Pty Ltd (trading as Allity)	Residential aged care in Queensland, New South Wales, Victoria and South Australia.

The acquisition of Acacia Living Group Limited (a public company limited by guarantee) was effected by RSL Care RDNS Limited becoming the sole member of Acacia Living Group Limited. RSL Care RDNS Limited was identified as the "acquirer" of Acacia Living Group Limited in accordance with AASB 10 *Consolidated Financial Statements* and AASB 3 *Business Combinations*. All of the current Directors of Acacia Living Group Limited are RSL Care RDNS Limited Directors, and RSL Care RDNS Limited was the larger of the two entities measured in assets, revenues and surpluses. An acquisition reserve of $13,027,000 was recorded as a result of the merger, reflecting the fair value of the net assets of Acacia Living Group on 1 November 2021.

F1. Business combinations (continued)

(b) Assets acquired and liabilities assumed at date of acquisition

Significant judgement

Fair value of identifiable assets, liabilities and contingent liabilities acquired

The fair values of assets, liabilities and contingent liabilities acquired are determined using the accounting policies described throughout these financial statements. Consequently, the areas of significant judgement described in each of the following notes are applicable to the assessments made at acquisition date:

	Note
Deferred tax liabilities	B3
Employee benefits provisions	C3
Valuation of land and buildings	D1
Work in progress	D1
Valuation of retirement village assets	D2
Valuation and impairment of intangible assets – goodwill	D3

F1. Business combinations (continued)

(b) Assets acquired and liabilities assumed at date of acquisition (continued)

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Acacia Living Group $'000	Allity $'000	Total $'000
Current assets			
Cash and cash equivalents	25,999	44,571	**70,570**
Trade and other receivables	202	10,399	**10,601**
Prepayments and deposits	747	2,130	**2,877**
Total current assets	26,948	57,100	**84,048**
Non-current assets			
Prepayments and deposits	57	-	**57**
Property, plant and equipment	48,065	693,535	**741,601**
Right-of-use assets	105	3,628	**3,732**
Retirement village assets	138,136	20,402	**158,538**
Total non-current assets	186,363	717,565	**903,928**
Total assets	213,311	774,665	**987,976**
Current liabilities			
Trade and other payables	(4,828)	(22,953)	**(27,781)**
Provisions	(2,652)	(41,152)	**(43,804)**
Unearned revenue	(1,309)	(290)	**(1,599)**
Lease liabilities	(21)	(3,628)	**(3,649)**
Other financial liabilities	(165,681)	(898,955)	**(1,064,636)**
Total current liabilities	(174,491)	(966,978)	**(1,141,469)**
Non-current liabilities			
Provisions	(167)	(4,684)	**(4,851)**
Lease liabilities	(85)	-	**(85)**
Deferred tax liabilities	-	(3,429)	**(3,429)**
Total non-current liabilities	(252)	(8,113)	**(8,365)**
Total liabilities	(174,743)	(975,091)	**(1,149,834)**
Net asset / (liabilities) acquired	38,568	(200,426)	**(161,858)**
Goodwill / (Acquisition Reserve) on acquisition	(13,027)	899,063	**886,036**
Purchase consideration transferred	25,541	698,637	**724,178**

F1. Business combinations (continued)

(b) Assets acquired and liabilities assumed at date of acquisition (continued)

The goodwill of $899,063,000 arising from the acquisition of Allity represents expected synergies from combining operations of Allity with Bolton Clarke.

In accordance with AASB 3 *Business Combinations*, the Group discloses that due to the acquisitions taking place during the financial year, the initial accounting for the business combinations is provisional, with the information available at reporting date. The Group will determine and disclose the final accounting within 12 months of the respective acquisitions, in accordance with AASB 3 *Business Combinations*.

(c) Net cash outflow on acquisition

	Acacia Living Group $'000	Allity $'000	Total $'000
Consideration paid in cash	25,541	698,637	**724,178**
Less: cash and cash equivalent balances acquired	(25,999)	(44,571)	**(70,570)**
Net outflow of cash per the statement of cash flows	(458)	654,066	**653,608**

F2. Subsidiaries

The parent entity of the Group is RSL Care RDNS Limited (ABN 90 010 488 454). RSL Care RDNS Limited is a charity registered with the Australian Charities and Not-for-profits Commission (ACNC) and is a Deductible Gift Recipient. Details of the Group's material subsidiaries at the end of the reporting period are set out over the page.

F2. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2022	2021
RSL (QLD) War Veterans' Homes Trust[(i)]	Australia	Nil	Nil
Scartwater (Aged Care) Trust[(i)]	Australia	Nil	Nil
Royal District Nursing Service Limited	Australia	100%	100%
RDNS Homecare Limited	Australia	100%	100%
Royal District Nursing Service New Zealand Limited	New Zealand	100%	100%
RDNS 2007 Pty Ltd	Australia	100%	100%
RDNS Charitable Trust[(i)]	Australia	Nil	Nil
Royal District Nursing Service (Hong Kong) Limited	Hong Kong	100%	100%
Altura Learning Australia Pty Ltd	Australia	100%	100%
Altura Learning United Kingdom Limited	United Kingdom	100%	100%
Acacia Living Group Limited	Australia	100%	-
Australian Aged Care Partners Holdings Pty Ltd	Australia	100%	-
Australian Aged Care Partners (No. 2) Pty Ltd	Australia	100%	-
Australian Aged Care Partners Pty Ltd	Australia	100%	-
Australian Aged Care Partners Finance Pty Ltd	Australia	100%	-
Australian Aged Care Partners Property Pty Ltd	Australia	100%	-
Australian Aged Care Partners Property Trust[(i)]	Australia	Nil	-
Australian AC Partners Property Pty Ltd	Australia	100%	-
Australian AC Partners Property Trust[(i)]	Australia	Nil	-
Australian AC Property Pty Ltd	Australia	100%	-
Allity Holdings Pty Ltd	Australia	100%	-
Allity Pty Ltd	Australia	100%	-
Allity Community Care Pty Ltd	Australia	100%	-
Allity (Riverwood Village) Pty Ltd	Australia	100%	-
Allity Management Services Pty Ltd	Australia	100%	-
Allity NSW Property Holdings Pty Ltd	Australia	100%	-
Allity VIC Property Holdings Pty Ltd	Australia	100%	-
Allity Aged Care Pty Ltd	Australia	100%	-
Australian Aged Care (No 2) Pty Ltd	Australia	100%	-
Australian Aged Care Trust No. 2[(i)]	Australia	Nil	-
Australian Aged Care Pty Ltd	Australia	100%	-
Australian Aged Care Trust No. 1[(i)]	Australia	Nil	-
McKinnon Road Developments Pty Limited	Australia	100%	-
Cerity Holdings Pty Ltd	Australia	100%	-
Cerity Property No 2 Pty Ltd	Australia	100%	-
Cerity Property Pty Ltd	Australia	100%	-
Cerity Trust[(i)]	Australia	Nil	-
Cerity Pty Ltd	Australia	100%	-
Australian SA Property Pty Limited	Australia	100%	-

F2. Subsidiaries (continued)

(i) The Group includes a number of Trustee companies that administer Trusts. While the nature of a Trust means that there is no ownership interest, the Group controls the Trust in accordance with the requirements of AASB 10 *Consolidated Financial* Statements through its ability to direct the relevant activities of the Trust. The names of the Trusts and their Trustee companies are listed below:

Trust	Trustee Company
RSL (QLD) War Veterans' Homes Trust	RSL Care RDNS Limited
Scartwater (Aged Care) Trust	RSL Care RDNS Limited
RDNS Charitable Trust	RDNS 2007 Pty Ltd
Australian Aged Care Partners Property Trust	Australian Aged Care Partners Property Pty Ltd
Australian AC Partners Property Trust	Australian AC Partners Property Pty Ltd
Australian Aged Care Trust (No 2)	Australian Aged Care (No 2) Pty Ltd
Australian Aged Care Trust (No 1)	Australian Aged Care Pty Ltd
Cerity Trust	Cerity Property Pty Ltd

F3. Investment in associate

Associates are entities over which the Group has significant influence but does not control or have joint control. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy in note D1 (iv).

The Group has an interest in the following associate:

		Ownership Interest		
Name	Country of Operation	2022 %	2021 %	Principal activity
Shanghai Yango & RDNS Healthcare Management Co. Ltd	China	0%	30%	Aged care consulting

F3. Investment in associate (continued)

Shanghai Yango & RDNS Healthcare Management Co. Ltd is accounted for was an associated company because the Group had significant influence primarily through representation on its Board of Directors.

During the year, the operations of the associate were discontinued, and the associate company is in the process of being wound up. Once the winding up process has been completed, the remaining value of the investment as at 30 June 2022 will be returned as cash to the Group.

F4. Parent entity disclosures

The Company acts as Trustee of two trusts, the RSL (QLD) War Veterans Homes' Trust and the Scartwater Trust. The Company does not carry on business in its individual capacity. The Company does not have any assets or liabilities and does not generate any profit or loss (2021: nil).

G. Other items

This section sets out other disclosures that may be relevant to understanding the financial position and performance of the Group.

G1. Commitments

(a) Capital commitments

The Group had capital expenditure commitments of $83,629,000 at 30 June 2022 (2021: $50,635,000).

G2. Contingent liabilities

A contingent liability is a possible obligation arising from past events which will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the Group or a present obligation arising from past events that is not probable or cannot be measured reliably. Contingent liabilities are not recognised.

The Group has provided bank guarantees to third parties as guarantees of self-insurance liabilities, program delivery and premises rental. The secured bank guarantees are subject to annual review. The value of bank guarantees issued as at the end of the financial year was $7,581,000 (2021: $4,868,000).

G3. Related party transactions

(a) Key management personnel compensation

Key management personnel are the Directors and executives who collectively have the authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel compensation of $5,654,264 (2021: $4,989,180) was recognised as an expense during the reporting period.

No Director or related party has entered into a material contract with the Group since the end of the previous financial year and there are no material contracts involving Director's interests subsisting at year end. Directors may have family members or relatives who utilise the services that the Group provides. Such transactions are conducted at arm's length.

(b) Transactions with related parties

The ultimate controlling company of the Group is RSL Care RDNS Limited. Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There were no other transactions between the Group and other related parties.

G4. Reconciliation of deficit to net cash inflow from operating activities

	2022 $'000	2021 $'000
Deficit for the financial year	**(1,459)**	(8,157)
Non-cash adjustments for:		
Depreciation of right-of-use assets, property, plant and equipment	**41,411**	33,137
Amortisation of intangible assets	**3,534**	5,939
Net loss / (gain) on sale of assets	**(178)**	55
Share of joint venture loss	**57**	521
Accommodation bond retentions	**(6)**	(2)
Deferred management fees	**(15,893)**	(12,450)
Net (gain) / loss on retirement village assets	**18,416**	(1,254)
	45,882	17,789
Non-operating item adjustments for:		
Finance costs	**18,041**	7,912
Finance income	**(317)**	(792)
	63,606	24,909
Changes in operating assets and liabilities:		
Decrease in trade and other receivables	**(11,213)**	(618)
Increase / (decrease) in prepayments	**4,350**	(1,442)
Increase / (decrease) in trade and other payables	**(1,450)**	(6,685)
Increase/ (decrease) in provisions	**(2,526)**	5,273
Increase in unearned revenue	**(1,856)**	5,592
Increase / (decrease) in tax liabilities	**(31,968)**	227
Net cash from operating activities	**18,943**	27,256

G5. Economic dependency

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

G6. Remuneration of auditors

	2022 $'000	2021 $'000
Deloitte and related network firms		
Audit or review of financial reports*:		
- Group	**340**	320
- Subsidiaries	**375**	35
	715	355
Statutory assurance services required by legislation to be provided by the auditor	**50**	-
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**50**	-
Other services:		
- Environmental, Sustainability and Governance Consulting	**41**	-
	856	355

* The auditor of the Group is Deloitte Touch Tohmatsu.

Other auditors and their related network firms		
Audit or review of financial reports:		
- Group	**-**	-
- Subsidiaries	**34**	28
	34	28
Statutory assurance services required by legislation to be provided by the auditor	**161**	-
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**52**	-
	247	28

G7. Events subsequent to reporting date

In the opinion of the Directors, 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.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes:
   a. comply with Australian Accounting Standards – Simplified Disclosures, Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) and the Trust Deeds of the Trust and the Scartwater Trust; and
   b. give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date.

2. In the Directors' opinion 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 board of Directors.

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 26 October 2022

Chairman's Declaration

I, Patrick McIntosh, Chairman of the Board of RSL Care RDNS Limited declare that, in my opinion:

(a) the consolidated financial statements give a true and fair view of all income and expenditure of the Group with respect to fundraising appeals;
(b) the Consolidated Statement of Financial Position gives a true and fair view of the state of affairs with respect to fundraising appeals;
(c) the provision of the *Charitable Fundraising Act 1991 (NSW)*, the Regulations under that Act and the conditions attached to the authority issued under that Act have been complied with by the Group; and
(d) the internal controls exercised by the Group are appropriate and effective in accounting for all income received and applied by the Group from any of its fundraising appeals.

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 26 October 2022

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Independent Auditor's Report to the Board of RSL Care RDNS Limited

Opinion

We have audited the financial report of RSL Care RDNS Limited (the "Entity") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration. In addition, we have audited the Entity's compliance with specific requirements of the *Charitable Fundraising Act 1991*.

In our opinion,

a) the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

    (i) 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 ended on that date; and

    (ii) complying with Australian Accounting Standards – Simplified Disclosures to the extent described in Note A1, and Division 60 of the ACNC Act;

b) the financial report agrees to the underlying financial records of the Entity, that have been maintained, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations for the year ended 30 June 2022; and

c) monies received by the Entity as a result of fundraising appeals conducted during the year ended 30 June 2022, have been utilised for, and applied, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations.

We have obtained all the necessary information required in connection with our audit in respect of the financial year ended 30 June 2022.

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 and Compliance with Specific Requirements of the Charitable Fundraising Act 1991* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 30 June 2022, 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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report and for Compliance with the Charitable Fundraising Act 1991

The directors of the Entity are responsible for compliance with the *Charitable Fundraising Act 1991* and the preparation of the financial report that gives a true and fair view, and have determined that the basis of preparation described in Note A1 to the financial report is appropriate to meet the requirements of the ACNC Act and the *Charitable Fundraising Act 1991* and the needs of the Board. The Director's responsibility also includes 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, and to enable compliance with the *Charitable Fundraising Act 1991*.

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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report and Compliance with Specific Requirements of the Charitable Fundraising Act 1991

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 the Group complied, in all material respects, with specific requirements of the *Charitable Fundraising Act 1991*, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of non-compliance with the specific requirements of the *Charitable Fundraising Act 1991* and 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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the 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.

- 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 evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance with the *Charitable Fundraising Act 1991* may occur and not be detected. An audit is not designed to detect all weaknesses in the Group's compliance with the *Charitable Fundraising Act 1991* as an audit is not performed continuously throughout the period and the tests are performed on a sample basis. Any projection of the evaluation of the compliance procedures to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

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Vanessa de Waal
Partner
Chartered Accountants
Brisbane, 26 October 2022