

Australian Unity Care Services Pty Ltd

ABN 44 065 558 134

Annual report for the year ended 30 June 2022

Australian Unity Care Services Pty Ltd ABN 44 065 558 134
Annual report - 30 June 2022

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Directors' report

Your directors present their report on Australian Unity Care Services Pty Ltd (the Company) for the year ended 30 June 2022.

Directors

The following persons were directors of Australian Unity Care Services Pty Ltd during the financial year and up to the date of this report, unless otherwise stated:

Rohan Mead, Chair and Group Managing Director
Prudence Bowden, Chief Executive Officer, Home Health (appointed as Director on 9 September 2022)
Darren Mann, Group Executive, Finance and Strategy, and Chief Financial Officer
Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (resigned 9 September 2022)

Company secretaries

Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Care Services Pty Ltd at 30 June 2022.

Principal activities

The principal continuing activities of the Company are the operation and management of residential aged care facilities. The Company is an approved provider of residential aged care under the *Aged Care Act 1997*.

Dividends

The Company did not pay any dividends during the financial year ended 30 June 2022 (2021: \$nil).

Review of operations

The Company owned and operated seven aged care facilities in Victoria and NSW, incorporating 781 aged care beds as at 30 June 2022 (2021: 786). The number of beds was reduced following the initiatives to improve resident care and accommodation. The mature aged care portfolio continued to achieve top-quartile occupancy at above 95 percent for the 2022 financial year despite the challenges of the COVID-19 pandemic.

For the year ended 30 June 2022, the Company recorded a loss after income tax of \$14,627,000 (2021: \$3,695,000). The increased loss was mainly due to a one-off impairment loss in investment in subsidiary of \$6,023,000 and amortisation of bed licence intangible assets of \$2,913,000. These along with the operational impact of COVID-19 pandemic contributed to the increased expenses, excluding finance costs, by \$19,203,000 to \$105,439,000. The Company continued to achieve revenue growth with revenue from government subsidies and aged care resident services increased by \$4,731,000 to \$99,540,000. The amount of refundable accommodation deposits as at 30 June 2022 was \$296 million (2021: \$295 million).

Matters subsequent to the end of the financial year

The board is not aware of any matter or circumstance arising since 30 June 2022 which has significantly affected or may significantly affect the financial status or results of the Company.

Likely developments and expected results of operations

The board is not aware of any developments which may affect the Company's operations and expected results of operations which can be disclosed without prejudicing unreasonably their likelihood of success or violating commercial confidences.

Environmental regulation

The property operations managed by the Company are subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Company's financial statements) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest except as disclosed in the details of related party transactions in note 18.

Insurance and indemnification of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors, company secretaries and executive officers of the Company to the extent permitted by the *Corporations Act 2001*. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liabilities covered and the amount of the premium.

In accordance with the constitution of the Company and under a separate deed, the directors and officers are indemnified to the extent permitted by law against any liability incurred by them in connection with the proper discharge of their duties, other than for conduct involving lack of good faith.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

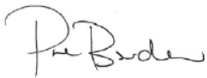
Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission. Unless otherwise stated, amounts in the directors' report and financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.



Rohan Mead
Director



Prudence Bowden
Director

Melbourne
21 October 2022



Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Care Services Pty Ltd for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is written over a faint, light blue grid background.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
21 October 2022

Australian Unity Care Services Pty Ltd ABN 44 065 558 134

Financial report - 30 June 2022

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This financial report includes separate financial statements of Australian Unity Care Services Pty Ltd as an individual entity. The financial statements are presented in the Australian currency.

Australian Unity Care Services Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

271 Spring Street
Melbourne VIC 3000

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1 which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 21 October 2022. The directors have the power to amend and reissue the financial statements.

Australian Unity Limited, the Company's ultimate parent entity, produces consolidated financial statements that are included in its annual report. This annual report is available for public use and can be obtained from Australian Unity Limited's office at 271 Spring Street, Melbourne, VIC 3000.

Australian Unity Care Services Pty Ltd
Statement of comprehensive income
For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue and other income	1	99,540	94,809
Expenses, excluding finance costs	2	(105,439)	(86,236)
Finance costs	2	(16,216)	(15,081)
Loss before income tax		(22,115)	(6,508)
Income tax benefit	3	7,488	2,813
Loss after income tax		(14,627)	(3,695)
Total comprehensive income for the year		(14,627)	(3,695)
Loss for the year is attributable to:			
Owners of Australian Unity Care Services Pty Ltd		(14,627)	(3,695)
Total comprehensive income for the year is attributable to:			
Owners of Australian Unity Care Services Pty Ltd		(14,627)	(3,695)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Australian Unity Care Services Pty Ltd
Balance sheet
As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	16,671	21,743
Trade and other receivables		3,245	4,167
Loans and advances	5	173,349	133,422
Total current assets		193,265	159,332
Non-current assets			
Loans and advances	5	-	39,927
Investments in associate	13	12,914	12,914
Investments in subsidiaries	14	166,452	172,062
Deferred tax assets		3,817	4,424
Property, plant and equipment		5,556	4,828
Right-of-use assets	9	32,539	35,260
Intangible assets	10	8,635	11,180
Total non-current assets		229,913	280,595
Total assets		423,178	439,927
LIABILITIES			
Current liabilities			
Trade and other payables	6	8,838	3,888
Interest bearing liabilities	7	11,866	38,689
Non-interest bearing liabilities	8	310,231	295,356
Lease liabilities	9	4,275	4,171
Provisions		5,466	4,601
Other current liabilities		183	139
Total current liabilities		340,859	346,844
Non-current liabilities			
Interest bearing liabilities	7	19,329	-
Non-interest bearing liabilities	8	-	14,166
Lease liabilities	9	36,796	39,064
Provisions		1,112	644
Total non-current liabilities		57,237	53,874
Total liabilities		398,096	400,718
Net assets		25,082	39,209
EQUITY			
Contributed equity	11	49,674	49,174
Accumulated losses		(24,592)	(9,965)
Total equity		25,082	39,209

The above balance sheet should be read in conjunction with the accompanying notes.

Australian Unity Care Services Pty Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Notes	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020		16,373	(6,270)	10,103
Loss for the year		-	(3,695)	(3,695)
Other comprehensive income		-	-	-
Total comprehensive income		-	(3,695)	(3,695)
Transactions with owners in their capacity as owners:				
Contributions of equity	11	32,801	-	32,801
Balance at 30 June 2021		49,174	(9,965)	39,209
Balance at 1 July 2021		49,174	(9,965)	39,209
Loss for the year		-	(14,627)	(14,627)
Other comprehensive income		-	-	-
Total comprehensive income		-	(14,627)	(14,627)
Transactions with owners in their capacity as owners:				
Contributions of equity	11	500	-	500
Balance at 30 June 2022		49,674	(24,592)	25,082

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Australian Unity Care Services Pty Ltd
Statement of cash flows
For the year ended 30 June 2022

Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities		
Government subsidies, resident fees and commissions received (inclusive of goods and services tax)	82,248	76,190
Interest and distribution received	5,743	4,618
Other income received	1,143	127
Payments to suppliers and related entities (inclusive of goods and services tax)	<u>(99,759)</u>	<u>(79,967)</u>
Net cash inflow/(outflow) from operating activities	<u>(10,625)</u>	<u>968</u>
Cash flows from investing activities		
Loans provided to related entities	-	(46,844)
Payments for additional investments in subsidiaries	(413)	(32,801)
Payments for investment in joint venture	-	(12,914)
Payments for property, plant and equipment	(2,119)	(1,607)
Payments for intangible assets	<u>(684)</u>	<u>(266)</u>
Net cash outflow from investing activities	<u>(3,216)</u>	<u>(94,432)</u>
Cash flows from financing activities		
Net receipts from accommodation bonds and interest	1,597	21,730
Receipt from shares insurance	500	32,801
Receipt of borrowings from related entities	<u>6,672</u>	<u>41,661</u>
Net cash inflow from financing activities	<u>8,769</u>	<u>96,192</u>
Net increase/(decrease) in cash and cash equivalents	(5,072)	2,728
Cash and cash equivalents at the beginning of the financial year	<u>21,743</u>	<u>19,015</u>
Cash and cash equivalents at the end of the financial year	<u>16,671</u>	<u>21,743</u>

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The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of Australian Unity Care Services Pty Ltd (the Company).

1 Revenue and other income

The Company operates in Australia and generates revenue mainly through its operations and management of residential aged care facilities. Resident fees and service revenue, accommodation bond retention and a majority of management fee income from related entities are recognised over time when the customers simultaneously receive the benefits from the services provided under contracts with the Company.

The following are Revenue from services accounted for under AASB 15, except for government subsidies which are accounted for under AASB 120, imputed revenue on Refundable Accommodation Deposits (RAD) which is accounted for under AASB 16, and other income:

	2022 \$'000	2021 \$'000
Revenue from services		
Government subsidies funding aged care services	56,296	55,321
Resident fees and service revenue	23,551	22,056
Imputed revenue on RAD	11,919	11,721
Accommodation bond retention	888	940
Management fee income from related entities	-	26
	92,654	90,064
Investment and other income		
Distribution income	3,373	2,879
Interest income	2,370	1,739
Other income	1,143	127
	6,886	4,745
Revenue and other income	99,540	94,809

2 Expenses

	2022 \$'000	2021 \$'000
Expenses, excluding finance costs, included in the profit or loss classified by nature:		
Depreciation and amortisation expense	7,341	4,146
Employee benefits expense	63,977	56,766
Impairment of investment in subsidiary	6,023	-
Occupancy costs	6,300	6,114
Resident costs	8,794	8,324
Shared service costs charged by related entities	10,531	8,769
Other expenses	2,473	2,117
	105,439	86,236
<i>Depreciation and amortisation</i>		
Depreciation of property, plant and equipment	1,391	1,337
Depreciation of right-of-use assets	2,721	2,721
Amortisation of intangible assets	3,229	88
	7,341	4,146

2 Expenses (continued)

	2022 \$'000	2021 \$'000
Finance costs		
Imputed finance cost on RAD	11,919	11,721
Interest and finance charges on borrowings	2,191	1,154
Notional interest on leases (note 9(b))	2,106	2,206
Total interest and finance charges	16,216	15,081

3 Income tax benefit

(a) Income tax benefit

	2022 \$'000	2021 \$'000
Current tax	7,906	3,409
Deferred tax	(608)	(920)
Adjustments for current tax of prior periods	190	324
Income tax benefit	7,488	2,813

(b) Reconciliation of income tax benefit to prima facie tax payable

Loss before income tax	(22,115)	(6,508)
Tax at the Australian tax rate of 30% (2021: 30%)	6,635	1,952
Non-assessable income	1,011	864
Non-deductible expenditure	(158)	(3)
Income tax benefit	7,488	2,813

4 Financial assets - Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash at bank and on hand	236	232
Bank balances	931	2,089
Deposits at call	15,504	19,422
	16,671	21,743

5 Financial assets - Loans and advances

	2022 \$'000	2021 \$'000
Current - unsecured		
Loans to parent entity	14,078	-
Loans to related entities	159,271	133,422
	173,349	133,422
 Non-current - unsecured		
Loans to parent entity	-	14,078
Loan to related entity	-	25,849
	-	39,927
 Total loans and advances	173,349	173,349

The loans to parent entity bear interest on a monthly basis at the 90 day bank bill rate plus a margin of 2%. At 30 June 2022 this amounted to 3.14% (2021: 2.30%) per annum.

Loans to related entities consisted of loans and advances provided to Australian Unity Campbell Place Aged Care Land Trust of \$55,510,000 (2021: \$55,510,000), Australian Unity Retirement Development Pty Ltd of \$32,977,000 (2021: \$32,977,000) and Australian Unity Peninsula Grange RACF Land Trust of \$44,935,000 (2021: \$44,935,000). These loans were charged with a fixed interest at 0.9% per annum. Under the loan agreements, the Company provides an advance to each of the related entities at the time it receives Refundable Accommodation Deposits (RAD) from the residents that will occupy the respective aged care facilities and in an amount equivalent to the RAD. The loans are to be used for capital expenditures as permitted under the Aged Care Act 1997, including expenditures for the construction of the aged care facilities. The term of each loan facility is in line with the period of the occupancy of the respective aged care facilities by the residents.

The balance of loans to related entities of \$25,849,000 (2021: \$25,849,000) represented a loan provided to Australian Unity Peninsula Grange RACF Land Trust which bears interest on a monthly basis at the 90 day bank bill rate plus a margin of 2%. At 30 June 2022 this amounted to 3.14% (2021: 2.30%) per annum.

6 Financial liabilities - Trade and other payables

	2022 \$'000	2021 \$'000
Trade payables	2,124	994
Amounts due to related entity	3,312	-
Accrued expenses	3,402	2,894
	8,838	3,888

7 Financial liabilities - Interest bearing liabilities

	2022 \$'000	2021 \$'000
Current		
Loan from ultimate parent entity	11,866	33,578
Loan from parent entity	-	5,111
	11,866	38,689
Non-current		
Loan from ultimate parent entity	12,915	-
Loan from parent entity	6,414	-
	19,329	-
Total interest bearing liabilities	31,195	38,689

The current loan from Australian Unity Limited, the ultimate parent entity, of \$5,610,000 (2021: \$5,610,000) accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2%. At 30 June 2022 this amounted to 3.14% (2021: 2.30%) per annum. The balance of current loans of \$6,256,000 (2021: \$27,968,000) accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2.55%. At 30 June 2022 these amounted to 3.69% per annum (2021: 2.80% - 2.85% per annum). The non-current loan from ultimate parent entity of \$12,915,000 accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2.5%. At 30 June 2022 this amounted to 3.64% per annum.

The non-current loan from parent entity of \$6,414,000 (2021: \$5,111,000) accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2.5%. At 30 June 2022 this amounted to 3.64% per annum (2021: 2.80% per annum).

8 Financial liabilities - Non-interest bearing liabilities

	2022 \$'000	2021 \$'000
Current		
Refundable accommodation deposits - current	296,065	295,356
Loan from parent entity - current	14,166	-
	310,231	295,356
Non-current		
Loan from parent entity - non-current	-	14,166
Total non-interest bearing liabilities	310,231	309,522

Refundable accommodation deposits represent payments received from the residents of aged care facilities as upfront deposits for their aged care accommodation. Residents have the ability to pay the deposits up to six months after moving into an aged care facility. These deposits are non-interest bearing and are repayable within 14 days of a resident's departure from the facility or within 14 days of the granting of probate. Regulations restrict the permitted use of the accommodation deposits to repayment of accommodation deposit balances, capital expenditures of residential aged care facilities and investments in qualified financial products.

The current loan from the parent entity is repayable on demand.

9 Non-financial assets and liabilities - Leases

AASB 16 requires the recognition of lease assets and liabilities on balance sheet with the amortisation of the assets and finance costs of the liabilities to be charged to profit or loss. Short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss.

The Company has non-cancellable lease contracts, as lessee, with related entities for retirement village properties. The Company's lease contracts do not impose any covenants other than the security interests in the leased assets that are held by the lessors.

(a) Amounts recognised in the balance sheet

The following are assets and liabilities recognised under AASB 16:

	30 June 2022 \$'000	30 June 2021 \$'000
Right-of-use assets		
Buildings	32,539	35,260
Total assets	<u>32,539</u>	<u>35,260</u>
Lease liabilities		
Current	4,275	4,171
Non-current	36,796	39,064
Total liabilities	<u>41,071</u>	<u>43,235</u>

There were no additions to the right-of-use assets during the financial year ended 30 June 2022 (2021: \$nil).

	2022 \$'000	2021 \$'000
Future lease payments in relation to lease liabilities as at period end are as follows:		
Within one year	4,375	4,270
Later than one year but not later than five years	18,614	18,163
Later than five years	34,441	39,267
	<u>57,430</u>	<u>61,700</u>

(b) Amounts recognised in the statement of comprehensive income

	30 June 2022 \$'000	30 June 2021 \$'000
Depreciation charge of right-of-use assets	2,721	2,721
Interest expense (included in Finance costs)	2,106	2,206
Expenses relating to short-term leases or leases of low value assets (included in Other expenses)	(10)	(91)
	<u>4,817</u>	<u>4,836</u>

Total cash outflow for leases in the financial year ended 30 June 2022 was \$4,260,000 (2021: \$4,076,000).

10 Non-financial assets - Intangible assets

	Computer software \$'000	Aged care bed licences \$'000	Total \$'000
At 30 June 2021			
Cost	4,465	10,740	15,205
Accumulated amortisation and impairment	(4,025)	-	(4,025)
Net book amount	<u>440</u>	<u>10,740</u>	<u>11,180</u>
Year ended 30 June 2022			
Opening net book amount	440	10,740	11,180
Additions	776	-	776
Disposals	(92)	-	(92)
Amortisation charge	(316)	(2,913)	(3,229)
Closing net book amount	<u>808</u>	<u>7,827</u>	<u>8,635</u>
At 30 June 2022			
Cost	4,890	10,740	15,630
Accumulated amortisation and impairment	(4,082)	(2,913)	(6,995)
Net book amount	<u>808</u>	<u>7,827</u>	<u>8,635</u>

Aged care bed licences

Residential Care Places (high care and low care) under the Aged Care Act 1997 (bed licences) initially granted to the Group by the Department of Health and Ageing are not ascribed a value. Bed licences purchased from other approved providers are valued at cost. At 30 June 2022, the Group held 1,039 granted licences and 231 purchased licences (2021: 1,039 granted licences and 231 purchased licences).

Prior to 1 October 2021, aged care bed licences were assessed as having an indefinite useful life and therefore were not amortised. Following on the government announcement that the aged care bed licences will be abolished from 1 July 2024, the carrying amount of the licences are amortised from 1 October 2021 until 30 June 2024.

11 Equity

Share capital

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	<u>49,674,209</u>	49,174,209	<u>49,674</u>	49,174

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

11 Equity (continued)

Share capital (continued)

	Number of shares	\$'000
2021		
Balance at beginning of the financial year	16,373,209	16,373
Shares issued during the year	32,801,000	32,801
Balance at the end of the financial year	<u>49,174,209</u>	<u>49,174</u>
2022		
Balance at beginning of the financial year	49,174,209	49,174
Shares issued during the year	500,000	500
Balance at the end of the financial year	<u>49,674,209</u>	<u>49,674</u>

12 Critical estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in this section.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical estimates and assumptions

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

(i) Impairment of intangibles with indefinite useful lives

The Company tests annually whether intangibles have suffered any impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated in accordance with the accounting policy stated in note 20(f). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions.

(ii) Right-of-use assets and lease liabilities

The initial values of right-of-use assets and lease liabilities are estimated based on the present value of lease payments. The lease payments are discounted using the Company's incremental borrowing rate which is determined using a three-month bank bill swap curve plus a margin that reflects the credit risk.

(iii) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the end of each reporting period. In determining the present value of the liability, attrition rates and pay increases as a result of projected inflation have been taken into account.

(iv) Income taxes

The Company is subject to income taxes in Australia. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

12 Critical estimates and judgements (continued)

(b) Critical judgements in applying the Company's accounting policies

(i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences. The Company considers it probable that future taxable profits will be available within the tax consolidation group to utilise these temporary differences.

Company structure

This section provides information which will help users understand how the Company structure affects the financial position and performance of the Company as a whole.

13 Investments in associate

The Company invests in a holding entity of residential communities development, 144 Albert Road Holding Trust. As at 30 June 2022, the Company owned 40.5% (2021: 40.5%) of the issued units amounting to \$12,914,000 (2021: \$12,914,000).

14 Investments in subsidiaries

Name of entity	Country of incorporation		Equity holding		Value of investment	
	in	Holding	2022	2021	2022	2021
			%	%	\$'000	\$'000
Directly owned by the Company						
Australian Unity Aged Care Investments Pty Ltd	Australia	Shares	100	100	65,478	65,478
Australian Unity Aged Care Trust #1	Australia	Units	100	100	9,717	9,717
Australian Unity Aged Care Trust #4	Australia	Units	100	100	23,668	23,668
Australian Unity Aged Care Trust #5	Australia	Units	100	100	32,728	32,728
Australian Unity Campbell Place Aged Care Land Trust	Australia	Units	100	100	3,710	3,710
Australian Unity Investment Trust	Australia	Units	100	100	24,376	24,376
Australian Unity Peninsula Grange RACF Land Trust	Australia	Units	100	100	6,050	6,050
Australian Unity Sienna Grange Aged Care Land Trust	Australia	Units	100	100	725	725
Lane Cove Holding Trust	Australia	Units	100	100	-	5,610
Indirectly owned by the Company						
Australian Unity Carlton Aged Care Trust	Australia	Units	100	100	-	-
					166,452	172,062

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

15 Commitments

There were no commitments for expenditure at 30 June 2022 (2021: \$nil).

16 Contingencies

The Company had no contingent assets or liabilities at 30 June 2022 (2021: \$nil).

17 Events occurring after the reporting period

The board is not aware of any matter or circumstance arising since 30 June 2022 which has significantly affected or may significantly affect the financial status or results of the Company and which has not been separately disclosed in this report.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18 Related party transactions

(a) Parent entity

Australian Unity Retirement Living Services Limited (AURLS) is the parent entity of the Company, and Australian Unity Limited (AUL) is the ultimate parent entity of the Australian Unity Group.

At 30 June 2022, AURLS owned 100% of the Company's issued ordinary shares (2021: 100%).

AUL's board of directors regularly reviews the long term business strategy and funding requirements for all controlled entities and allocates capital as required. As a controlled entity of AUL, the Company accesses working capital from the AUL Group Treasury to meet any temporary funding requirements which may arise from its activities consistent with approved plans.

(b) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

Rohan Mead, Prudence Bowden (appointed as Director 9 September 2022), Darren Mann and Kevin McCoy (resigned 9 September 2022).

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2022 and 2021 is set out below. The key management personnel are all the directors of the Company and those executives with the greatest authority for the strategic direction and management of the Company.

	2022	2021
	\$	\$
Short-term employee benefits	431,682	499,032
Post-employment benefits	9,174	8,829
MCI-based benefits	16,223	-
	457,079	507,861

(d) Other transactions with key management personnel

From time to time, key management personnel may purchase or subscribe to the various products offered by the Company or its related entities. These transactions are on similar terms and conditions to those entered into by other customers or employees and are trivial or domestic in nature.

18 Related party transactions (continued)

(e) Transactions with related parties

Transactions between the Company and related entities during the years ended 30 June 2022 and 2021 were as follows:

- Distribution income from related entities, \$3,373,281 (2021: \$2,879,226).
- Interest income from related entities, \$2,366,826 (2021: \$1,729,127).
- Management fee income from related entities, \$nil (2021: \$26,140).
- Rental income from related entities, \$nil (2021 \$50,880).
- Shared services costs charged by related entities, \$10,531,022 (2021: \$8,769,201).
- Occupancy expenses charged by a related entity (including depreciation and interest expense associated with leases), \$9,086,492 (2021: \$8,951,840).
- Interest and finance costs charged by related entities, \$1,567,755 (2021: \$311,403).

The Company reimburses Australian Unity Group Services Proprietary Ltd (AUGSPL), a related entity, for employee benefit expenses of those AUGSPL employees working directly for the Company. AUGSPL also provides office space and administrative services to the Company on a commercial basis. The charge for these services is included in the shared services costs as disclosed above.

All transactions with related entities are entered into on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of unsecured balances between the parties.

Transactions with the parent entity and other related entities are settled through intercompany accounts. The intercompany balances at 30 June 2022 and 2021 are included in the notes to the financial statements as amounts receivable from/(payable to) related entities as applicable.

(f) Balances with related parties

The following balances with related entities were outstanding at the end of each reporting period:

	2022 \$	2021 \$
<i>Current assets</i>		
Amounts due from related entity	-	250,305
Deposits at call (note 4)	15,503,661	19,422,140
Loans to parent entity (note 5)	14,078,264	-
Loans to related entities (note 5)	159,271,600	133,422,397
	188,853,525	153,094,842
<i>Non-current assets</i>		
Loans to parent entity (note 5)	-	14,078,200
Loan to related entity (note 5)	-	25,849,203
	-	39,927,403
<i>Current liabilities</i>		
Amounts due to related entity (note 6)	3,312,270	-
Lease liabilities to related entities (note 9)	4,274,708	4,171,448
Loans from ultimate parent entity (note 7)	11,866,367	33,578,367
Loan from parent entity (note 7)	-	5,111,000
Loan from parent entity - non-interest bearing (note 8)	14,165,500	-
	33,618,845	42,860,815

18 Related party transactions (continued)

(f) Balances with related parties (continued)

	2022 \$	2021 \$
<i>Non-current liabilities</i>		
Lease liabilities to related entities (note 9)	36,796,154	39,063,512
Loan from ultimate parent entity (note 7)	12,915,000	-
Loan from parent entity (note 7)	6,414,000	-
Loan from parent entity - non-interest bearing (note 8)	-	14,165,500
	<u>56,125,154</u>	<u>53,229,012</u>

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Audit services

	2022 \$	2021 \$
PricewaterhouseCoopers Australia		
Audit and review of financial statements	40,628	33,857
Audit of regulatory returns	40,739	33,949
Total auditors' remuneration	<u>81,367</u>	<u>67,806</u>

20 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Company as an individual entity.

The financial statements are for Australian Unity Care Services Pty Ltd as an individual entity (the Company). The Company has elected not to prepare consolidated financial statements in accordance with paragraphs 4(a), Aus 4.1 and Aus 4.2 of AASB 10. Australian Unity Limited, the Company's ultimate parent entity, prepares consolidated financial statements that comply with International Financial Reporting Standards and these are available for public use.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit private sector entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards – Simplified Disclosure Requirements

The financial statements of the Company comply with Australian Accounting Standards - Simplified Disclosures as issued by the Australian Accounting Standards Board.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

20 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) *New and amended accounting standards which are mandatory for the first time*

The Company has applied the following standard for first time for their annual reporting period commencing 1 July 2021:

AASB	Title
AASB 1060	General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

(b) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(c) Employee benefits

Employees engaged in the Company's operations are employed by the Company or by a related entity, Australian Unity Group Services Proprietary Limited (AUGSPL), with employee benefit expenses accounted for on the basis below. Those expenses incurred in AUGSPL that are applicable to the Company are directly passed on to the Company.

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period are recognised in other payables in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on high quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of each reporting period, regardless of when the actual settlement is expected to occur.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) *Superannuation*

The Company contributes to the Australian Unity Staff Superannuation Plan, the Hesta Superannuation Fund and other complying superannuation funds nominated by employees. The Australian Unity Staff Superannuation Plan is open to new members and is an accumulation fund, where the employer contributions are fully vested in the member. The Hesta Superannuation Fund is an industry based fund for employees working in retirement village complexes and aged care facilities. The Company is required to contribute to the above mentioned plans in accordance with the Superannuation Guarantee Legislation.

20 Summary of significant accounting policies (continued)

(d) Goods and Services Tax (GST)

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

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(f) Impairment of assets

Assets are tested for impairment 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or group of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Income tax

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

20 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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

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

The carrying amount of deferred income 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 profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation

Australian Unity Limited, the Company's ultimate parent entity, and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Australian Unity Limited, as the head entity, and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. The head entity also recognises the current tax assets or liabilities, and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities under the tax consolidated group entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Intangible assets

(i) Aged care bed licences

Bed licences for aged care facilities are initially recognised at cost. Prior to 1 October 2021, bed licences were assessed as having an indefinite useful life as they were issued for an unlimited period and therefore were not amortised. Following on the government announcement in 2021 that the residential aged care bed licence and the Aged Care Approval Rounds will be abolished from 1 July 2024, the carrying amount of bed licences are amortised from 1 October 2021 until 30 June 2024.

20 Summary of significant accounting policies (continued)

(h) Intangible assets (continued)

(ii) Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as computer software. Computer software is initially recognised at cost. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of software and licences over their estimated useful lives, which vary from 4 to 7 years.

(i) Interest income

Interest income is recognised using the effective interest method when the Company has control of the right to receive the interest payment. The effective interest rate method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or liability.

(j) Investments in subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are accounted for at cost in the Company's financial statements. Dividends received from subsidiaries are recognised in the profit or loss. The investments in subsidiaries are derecognised at the date of disposal and any gain or loss is included in the profit or loss.

The subsidiaries are fully consolidated in the financial statements of Australian Unity Limited, the Company's ultimate parent entity.

(k) Leases

Company as a lessee

The Company leases retirement village properties from related entities within the Australian Unity Group. While lease contracts are typically made for fixed periods, they have varying terms and renewal rights. On renewal, the terms of the leases can be renegotiated.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Initial measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option; and
- lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company considers any recent external borrowing received, including any changes in financing conditions since the borrowing is received. The Company applies a three-month bank bill swap curve plus a margin that reflects the credit risk to determine the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received;

20 Summary of significant accounting policies (continued)

(k) Leases (continued)

- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly consist of computer equipment.

Subsequent measurement

Subsequent to the initial recognition, lease liabilities are adjusted by the interest charges, lease payments made and any re-measurement to reflect reassessment or lease modifications.

When the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to the initial recognition, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

Extension and termination options are included in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term for accounting, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors to be considered include, but are not limited to, historical lease duration, costs and business disruption required to replace the leased assets, the amount of termination penalties and remaining value of any leasehold improvements. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The extension options, if any, have not been included in the lease liability as the Company could replace the leases without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

Company as a lessor

The Company classifies leases as an operating or finance lease based on whether substantially all the risks and rewards are transferred to the lessee. For sub-leases, the classification is performed by reference to the head lease. Leases with residents of aged care facilities are classified as operating leases.

For residents of aged care facilities who have opted a Refundable Accommodation Deposits (RAD) arrangement, the Company has determined that the adoption of AASB 16 will define this arrangement to be a lease for accounting purposes with the Company acting as the lessor. Where residents have opted to pay a Daily Accommodation Payment, the Company has determined that the adoption of AASB 16 will not have a material impact to the existing accounting treatment.

Under a RAD arrangement, the Company recognises as revenue an imputed non-cash accommodation charge representing the resident's right to occupy a room under the arrangement. This revenue is calculated by applying the Maximum Permissible Interest Rates to the outstanding balances of RAD during the reporting period. An imputed non-cash finance cost on the RAD balance is also recognised at the same amount of the imputed revenue, resulting in a nil impact to the profit or loss for the reporting period.

(l) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

20 Summary of significant accounting policies (continued)

(l) Loans and advances (continued)

Loans and advances are recognised on trade date. The amounts are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. Loans and advances are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and there has been a transfer of substantially all the risks and rewards of ownership.

Impairment

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its loan assets carried at amortised cost. The recognition of impairment depends on whether there has been a significant increase in credit risk.

The Company applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

- **Stage 1: 12-months ECL**
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
- **Stage 2: Lifetime ECL- not credit impaired**
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.
- **Stage 3: Lifetime ECL - credit impaired**
Loan assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under AASB 139, the Company's methodology for specific provisions remains unchanged. For loan assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for loan assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company uses its internal credit risk review, external risk ratings and forecast information to assess deterioration in credit quality of a loan asset.

The amount of ECL is measured as the probability-weighted amount of the present value of all reasonable cash shortfalls over the expected life of the loans discounted at the effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive.

The Company considers its historical loss experience and adjusts this for current observable data. In addition, the Company uses reasonable and supportable forecasts of future economic conditions including macroeconomic factors and how changes in these factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of ECL is recognised using a provision for doubtful debts account. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

(m) Property, plant and equipment

(i) Cost

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

Depreciation of property, plant and equipment is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected useful life. Estimates of remaining useful lives are reassessed annually for major items.

The expected useful lives are as follows:

Category	Useful life
Plant and equipment	5 - 20 years
Leasehold improvements	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

20 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

Gains/(losses) on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Refundable accommodation deposits

Aged care residents, upon entering certain accommodation types, provide a deposit from which fees are deducted in respect of the provision of certain services and facilities. The deposits are carried at amortised cost. The actual amount refundable upon departure from an aged care facility is determined by the terms of the existing contracts. As these amounts are payable on demand, they are treated as a current liability even though on average only a proportion are repaid in any one year.

(p) Revenue recognition

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The Company generates revenue mainly through its operation and management of residential aged care facilities. Revenue is recognised based on the delivery of performance obligations by the Company and an assessment of when the control is transferred to the customer. The revenue recognition is either at a point in time when the performance obligation in the contract has been completed by the Company or over time when the customer simultaneously receives the benefits from the services provided by the Company as the Company performs under the contract.

The transaction price is measured at contract inception, being the amount to which the Company expects to be entitled and to which it has rights under the contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on certain achievements. Such amounts are only included based on the expected value or the most likely outcome, and only to the extent that it is highly probable that no revenue reversal will occur.

When applicable, the Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. The transaction price is adjusted for the time value of money where the period between the transfer of the promised services to the customers and payment made by the customers exceeds one year.

Assets and liabilities recognised from contracts with customers

As a result of the contracts with customers, the Company recognises trade receivables and a number of contract assets and liabilities. Trade receivables are recognised when the Company has the right to consideration that is unconditional (no change in accounting policy). Contract assets are recognised when the Company has a conditional right to consideration for the services that have been provided to customers. Contract liabilities are recognised when the Company receives payments in advance for services that will be provided to customers.

Accrued and deferred income

Customer contracts generally include arrangements for payments dependent upon the nature and type of services being provided. Customer payments may be required at the inception of the contract (advance payment) or regular payments for ongoing service delivery or at the end of the contract (in arrears) or a combination of these with varied amounts. Accrued income is recognised as a contract asset for unbilled service revenue. Deferred income is recognised as a contract liability where a customer pays in advance or pays a deposit prior to the delivery of the contracted services. On the balance sheet, deferred income is presented as part of Other current liabilities. The Company did not have accrued income as at the end of the reporting period.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost. They are presented as current liabilities unless payment is not due within 12 months of the end of the reporting period.

20 Summary of significant accounting policies (continued)

(r) Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The Company applies the simplified expected credit loss approach to estimate an allowance for impairment losses. Under this approach, the Company estimates the expected lifetime losses to be recognised from initial recognition of the receivables. The amount of any impairment loss is recognised in the profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

(s) Comparative information

To enhance comparability with current year disclosures, certain comparative amounts in the financial statements are reclassified.

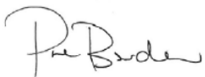
In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards - General Purpose Financial Statements - Simplified Disclosures, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Rohan Mead
Director



Prudence Bowden
Director

Melbourne
21 October 2022



Independent auditor's report

To the members of Australian Unity Care Services Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Care Services Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Andrew Cronin'.

Andrew Cronin
Partner

Melbourne
21 October 2022