# Greengate Care Pty Ltd

ABN 12 134 367 927

# Annual report
# for the year ended 30 June 2022

# Greengate Care Pty Ltd ABN 12 134 367 927
# Annual report - 30 June 2022

## Directors' report

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

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

Rohan Mead, Chair and Group Managing Director (appointed as Director on 7 July 2021)
Prudence Bowden, Chief Executive Officer, Home Health (appointed as Director on 11 October 2022)
Darren Mann, Group Executive, Finance and Strategy, and Chief Financial Officer (appointed as Director on 7 July 2021)
Matthew Fisher, (resigned as Director on 7 July 2021)
Michael Hoffman, (resigned as Director on 7 July 2021)
Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (appointed as Director on 7 July 2021, resigned 9 September 2022)
Howard Smith, (resigned as Director on 7 July 2021)
Andrew Sweeney, (resigned as Director on 7 July 2021)

**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**
For the year ended 30 June 2022, the Company recorded a profit after income tax of $1,417,710 (2021: loss after income tax of $1,410,659). During the year the Company received equity capital contribution from its parent entity amounting $41 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 14.

**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.

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 Greengate Care 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.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
21 October 2022

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# Greengate Care Pty Ltd ABN 12 134 367 927
# Financial report - 30 June 2022



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

Greengate Care 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.

| | Notes | **2022 $** | 2021 $ |
|---|---|---|---|
| **Revenue and other income** | 1 | **32,823,335** | 24,803,256 |
| Expenses, excluding finance costs | 2 | **(27,733,334)** | (25,383,144) |
| Finance costs | 2 | **(6,136,250)** | (830,771) |
| **Loss before income tax** | | **(1,046,249)** | (1,410,659) |
| Income tax benefit | 3 | **2,463,959** | - |
| **Profit/(loss) after income tax** | | **1,417,710** | (1,410,659) |
| **Total comprehensive income for the year** | | **1,417,710** | (1,410,659) |
| **Profit/(loss) for the year is attributable to:** | | | |
| Owners of Greengate Care Pty Ltd | | **1,417,710** | (1,410,659) |
| **Total comprehensive income for the year is attributable to:** | | | |
| Owners of Greengate Care Pty Ltd | | **1,417,710** | (1,410,659) |

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

| | Notes | **2022** $ | 2021 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | **19,664,586** | 10,520,629 |
| Trade and other receivables | | **1,852,646** | 355,003 |
| Total current assets | | **21,517,232** | 10,875,632 |
| **Non-current assets** | | | |
| Loans and advances | 5 | **48,930,206** | 2,948,121 |
| Deferred tax assets | | **819,707** | - |
| Property, plant and equipment | 7 | **72,179,527** | 76,839,316 |
| Right-of-use assets | 14(e) | **-** | 2,477,652 |
| Intangible assets | 8 | **602,866** | 980,000 |
| Total non-current assets | | **122,532,306** | 83,245,089 |
| **Total assets** | | **144,049,538** | 94,120,721 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **882,026** | 215,523 |
| Non-interest bearing liabilities | 6 | **137,082,422** | 128,636,431 |
| Provisions | | **345,155** | 108,136 |
| Total current liabilities | | **138,309,603** | 128,960,090 |
| **Non-current liabilities** | | | |
| Lease liabilities | 14(e) | **-** | 1,838,406 |
| Total non-current liabilities | | **-** | 1,838,406 |
| **Total liabilities** | | **138,309,603** | 130,798,496 |
| **Net assets/(liabilities)** | | **5,739,935** | (36,677,775) |
| **EQUITY** | | | |
| Contributed equity | 9 | **41,000,100** | 100 |
| Accumulated losses | | **(35,260,165)** | (36,677,875) |
| **Total equity/(capital deficiency)** | | **5,739,935** | (36,677,775) |

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

| | Note | Contributed equity $ | Accumulated losses $ | Total equity/ (capital deficiency) $ |
|---|---|---|---|---|
| **Balance at 1 July 2020** | | 100 | (35,267,216) | (35,267,116) |
| Loss for the year | | - | (1,410,659) | (1,410,659) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income** | | - | (1,410,659) | (1,410,659) |
| Balance at 30 June 2021 | | 100 | (36,677,875) | (36,677,775) |
| **Balance at 1 July 2021** | | **100** | **(36,677,875)** | **(36,677,775)** |
| Profit for the year | | - | **1,417,710** | **1,417,710** |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income** | | **-** | **1,417,710** | **1,417,710** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity | 9 | **41,000,000** | - | **41,000,000** |
| **Balance at 30 June 2022** | | **41,000,100** | **(35,260,165)** | **5,739,935** |

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

| | Notes | **2022** $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Government subsidies, resident fees and commissions received | | **24,901,120** | 20,726,109 |
| Interest received | | **597,924** | 13,579 |
| Other income received | | **124,315** | - |
| Payments to suppliers and related entities (inclusive of goods and services tax) | | **(20,456,548)** | (22,350,023) |
| Interest paid | | **(483,105)** | (1,026,034) |
| **Net cash inflow/(outflow) from operating activities** | | **4,683,706** | (2,636,369) |
| | | | |
| **Cash flows from investing activities** | | | |
| Loans provided to related entities | | **(45,982,085)** | - |
| Proceeds from transfers of property, plant and equipment to related entity | | **1,266,347** | - |
| Payments for property, plant and equipment | | **(174,987)** | (813,669) |
| Payments for intangible assets | | **(95,015)** | - |
| **Net cash outflow from investing activities** | | **(44,985,740)** | (813,669) |
| | | | |
| **Cash flows from financing activities** | | | |
| Net receipts from accommodation bonds and interest | | **8,445,991** | 9,086,124 |
| Receipt from shares insurance | | **41,000,000** | - |
| Repayment of borrowings | | **-** | (4,006,688) |
| **Net cash inflow from financing activities** | | **49,445,991** | 5,079,436 |
| | | | |
| **Net increase in cash and cash equivalents** | | **9,143,957** | 1,629,398 |
| Cash and cash equivalents at the beginning of the financial year | | **10,520,629** | 8,891,231 |
| **Cash and cash equivalents at the end of the financial year** | 4 | **19,664,586** | 10,520,629 |

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

## Notes to the financial statements

# 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 Greengate Care 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** | 2021 |
|---|---|---|
| | **$** | $ |
| **Revenue from services** | | |
| Government subsidies funding aged care services | **15,505,094** | 15,024,601 |
| Resident fees and service revenue | **10,942,857** | 9,619,261 |
| Imputed revenue on RAD (a) | **5,653,145** | - |
| | **32,101,096** | 24,643,862 |
| **Investment and other income** | | |
| Interest income | **597,924** | 13,579 |
| Other income | **124,315** | 145,815 |
| | **722,239** | 159,394 |
| **Revenue and other income** | **32,823,335** | 24,803,256 |

### (a) Imputed revenue and finance cost on RAD

Since 1 July 2021 the Company has adopted the accounting policy of Australian Unity Group and recognised imputed revenue and finance cost on RAD which are accounted for under AASB 16 *Leases*. There is no impact to net profit resulting from this recognition.

## 2 Expenses

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Expenses, excluding finance costs, included in the profit or loss classified by nature: | | |
| Depreciation and amortisation expense | **4,040,578** | 3,084,529 |
| Employee benefits expense | **17,805,375** | 16,490,617 |
| Occupancy costs | **2,025,859** | 1,867,678 |
| Resident costs | **3,127,731** | 3,123,333 |
| Other expenses | **733,791** | 816,987 |
| | **27,733,334** | 25,383,144 |
| Finance costs | | |
| Imputed finance cost on RAD (note 1(a)) | **5,653,145** | - |
| Interest and finance charges on borrowings | **483,105** | 830,771 |
| Total interest and finance charges | **6,136,250** | 830,771 |

## 3 Income tax benefit

### (a) Income tax benefit

| | **2022** **$** | 2021 $ |
|---|---|---|
| Current tax | **(292,446)** | - |
| Deferred tax | **2,756,405** | - |
| Income tax benefit | **2,463,959** | - |

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

| | | |
|---|---|---|
| Loss before income tax | **(1,046,249)** | (1,410,659) |
| Tax at the Australian tax rate of 30% (2021: 26%) | **313,875** | 366,771 |
| Fixed assets valuation adjustment | **2,150,213** | - |
| Non-deductible expenditure | **(129)** | - |
| Impact of temporary differences not recognised | **-** | (366,771) |
| Income tax benefit | **2,463,959** | - |

## 4 Financial assets - Cash and cash equivalents

| | **2022** **$** | 2021 $ |
|---|---|---|
| Bank balances | **19,664,586** | 10,520,629 |

## 5 Financial assets - Loans and advances

| | **2022** **$** | 2021 $ |
|---|---|---|
| **Non-current - unsecured** | | |
| Loans to related entity | **48,930,206** | 2,948,121 |

The loans to related entity has interest charged 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% per annum.

## 6 Financial liabilities - Non-interest bearing liabilities

| | **2022** **$** | 2021 $ |
|---|---|---|
| Refundable accommodation deposits - current | **137,082,422** | 128,636,431 |

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.

## 7 Non-financial assets - Property, plant and equipment

| | **Buildings $** | **Plant and equipment $** | **Leasehold assets $** | **Total $** |
|---|---|---|---|---|
| **At 30 June 2021** | | | | |
| Cost | **74,538,657** | **10,475,685** | **5,479,385** | **90,493,727** |
| Accumulated depreciation | **(8,566,632)** | **(4,971,547)** | **(116,232)** | **(13,654,411)** |
| Net book amount | **65,972,025** | **5,504,138** | **5,363,153** | **76,839,316** |
| **Year ended 30 June 2022** | | | | |
| Opening net book amount | **65,972,025** | **5,504,138** | **5,363,153** | **76,839,316** |
| Additions | **-** | **174,987** | **-** | **174,987** |
| Transfers to intangible assets | **-** | **(106,113)** | **-** | **(106,113)** |
| Transfers to related entity | **(1,266,347)** | **-** | **-** | **(1,266,347)** |
| Depreciation charge | **(1,830,103)** | **(1,574,841)** | **(57,372)** | **(3,462,316)** |
| Closing net book amount | **62,875,575** | **3,998,171** | **5,305,781** | **72,179,527** |
| **At 30 June 2022** | | | | |
| Cost | **73,272,310** | **10,544,559** | **5,479,385** | **89,296,254** |
| Accumulated depreciation | **(10,396,735)** | **(6,546,388)** | **(173,604)** | **(17,116,727)** |
| Net book amount | **62,875,575** | **3,998,171** | **5,305,781** | **72,179,527** |

## 8 Non-financial assets - Intangible assets

| | **Computer software $** | **Aged care bed licences $** | **Total $** |
|---|---|---|---|
| **At 30 June 2021** | | | |
| Cost | - | 980,000 | 980,000 |
| Accumulated amortisation and impairment | - | - | - |
| Net book amount | - | 980,000 | 980,000 |

## 8 Non-financial assets - Intangible assets (continued)

| | Computer software $ | Aged care bed licences $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2022** | | | |
| Opening net book amount | **-** | **980,000** | **980,000** |
| Additions | **95,015** | **-** | **95,015** |
| Transfers from property, plant and equipment | **106,113** | **-** | **106,113** |
| Amortisation charge | **(88,262)** | **(490,000)** | **(578,262)** |
| Closing net book amount | **112,866** | **490,000** | **602,866** |
| **At 30 June 2022** | | | |
| Cost | **201,128** | **980,000** | **1,181,128** |
| Accumulated amortisation and impairment | **(88,262)** | **(490,000)** | **(578,262)** |
| Net book amount | **112,866** | **490,000** | **602,866** |

**Aged care bed licences**
As at 30 June 2022 and 2021, the Company held 107 bed licences. A total of 58 of the bed licences were granted to the Company by the Department of Health and Ageing and are not ascribed a value. Bed licences purchased from other approved providers are valued at cost.

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 2023.

## 9 Equity

**Share capital**

| | **2022 Shares** | 2021 Shares | **2022 $** | 2021 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | **41,000,100** | 100 | **41,000,100** | 100 |

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.

| | **Number of shares** | **$** |
|---|---|---|
| 2021 | | |
| Balance at beginning of the financial year | 100 | 100 |
| Balance at the end of the financial year | 100 | 100 |
| **2022** | | |
| Balance at beginning of the financial year | **100** | **100** |
| Shares issued during the year | **41,000,000** | **41,000,000** |
| Balance at the end of the financial year | **41,000,100** | **41,000,100** |

## 10 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.

*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.

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

*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.

# 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.

## 11 Commitments

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

## 12 Contingencies

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

## 13 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.

## 14 Related party transactions

### (a) Parent entity

Greengate Partnership Pty Ltd (GGP) is the parent entity of the Company, and Australian Unity Limited (AUL) is the ultimate parent entity since the companies were acquired by the Australian Unity Group on 7 July 2021.

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.

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

### (b) Directors

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

Rohan Mead (appointed as Director on 7 July 2021)
Darren Mann (appointed as Director on 7 July 2021)
Matthew Fisher (resigned as Director on 7 July 2021)
Michael Hoffman (resigned as Director on 7 July 2021)
Kevin McCoy (appointed as Director on 7 July 2021, resigned 9 September 2022)
Howard Smith (resigned as Director on 7 July 2021)
Andrew Sweeney (resigned as Director on 7 July 2021)

### (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 | **5,661** | - |
| Post-employment benefits | **120** | - |
| MCI-based benefits | **213** | - |
| | **5,994** | - |

### (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.

### (e) Transactions with related parties

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

- Interest and finance costs charged to related entities, $596,143 (2021: $nil).
- Interest and finance costs charged by related entities, $16,750 (2021: $548,609).
- Transfer of lease asset of $2,477,652 and lease liability of $1,838,406 to related entity (2021: $nil).
- Transfer of property, plant and equipment to related entity, $1,266,347 (2021: $nil).

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.

## 14 Related party transactions (continued)

### (e) Transactions with related parties (continued)

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 $ |
|---|---|---|
| Current assets | | |
| Amounts due from related entity (note ) | **1,191,580** | - |
| Loans to related entities (note 5) | **48,930,206** | 2,948,121 |
| | **50,121,786** | 2,948,121 |

## 15 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 | **20,000** | - |
| Audit of regulatory returns | **10,000** | - |
| KPMG Australia | | |
| Audit and review of financial statements | **-** | 16,000 |
| Total auditors' remuneration | **30,000** | 16,000 |

## 16 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.

### (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.

## 16 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 with no significant impacts:

| 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

*(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 complying superannuation funds in accordance with the Superannuation Guarantee Legislation.

### (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.

## 16 Summary of significant accounting policies (continued)

### (d) Goods and Services Tax (GST) (continued)

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.

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

## 16 Summary of significant accounting policies (continued)

### (g) Income tax (continued)

- 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***
The Company becomes a member of the Australian Unity tax consolidation group since the Greengate Group was acquired by the Australian Unity Group on 7July 2021. Prior to this date the Company was a member of the Greengate tax consolidation group.

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 2023.

## 16 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) 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.

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.

<u>Impairment</u>
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.

## 16 Summary of significant accounting policies (continued)

### (j) Loans and advances (continued)

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.

### (k) 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 |
|---|---|
| Buildings | 40 years |
| 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.

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.

### (l) 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.

### (m) 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.

### (n) Revenue recognition

<u>Revenue recognition</u>
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.

## 16 Summary of significant accounting policies (continued)

### (n) Revenue recognition (continued)

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.

### (o) 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.

### (p) 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.

### (q) 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 22 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 Greengate Care Pty Ltd

## Our opinion

In our opinion:

The accompanying financial report of Greengate Care 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.

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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.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
21 October 2022