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Scartwater (Aged Care) Trust

ABN 14 567 533 824

General Purpose Financial Report for the year ended 30 June 2021

Contents

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	**2021** **$**	2020 $
Revenue from continuing operations	5	5,272,323	4,900,662
Employee benefits expense	6	(3,062,311)	(2,981,965)
Rates and taxes		(53,730)	(42,979)
Occupancy expenses		(370,148)	(371,241)
Repairs, maintenance and replacements		(207,796)	(220,382)
Depreciation expense	9	(288,726)	(249,954)
Finance costs	6	(5,023)	(18,300)
Other expenses from ordinary activities		(531,604)	(432,498)
Surplus for the year attributable to beneficiaries of the Trust		**752,985**	**583,343**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of land and buildings	9	565,864	359,584
Other comprehensive income for the year		**565,864**	**359,584**
Total comprehensive income for the year attributable to beneficiaries of the Trust		**1,318,849**	**942,927**

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

Statement of Financial Position

As at 30 June 2021

	Note	**2021** **$**	2020 $
Current assets			
Cash and cash equivalents	7	5,856	5,856
Trade and other receivables	8	2,915,722	1,700,135
Other current assets		19,425	18,708
Total current assets		**2,941,003**	**1,724,699**
Non-current assets			
Property, plant and equipment	9	5,090,597	4,894,038
Total non-current assets		**5,090,597**	**4,894,038**
Total assets		**8,031,600**	**6,618,737**
Current liabilities			
Trade and other payables	10	3,236,342	3,142,328
Total current liabilities		**3,236,342**	**3,142,328**
Total liabilities		**3,236,342**	**3,142,328**
Net assets		**4,795,258**	**3,476,409**
Equity			
Reserves	11	1,676,197	1,110,333
Accumulated surplus		3,119,061	2,366,076
Total equity		**4,795,258**	**3,476,409**

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to beneficiaries of the Trust		
	Asset revaluation reserve $	**Accumulated surplus $**	**Total equity $**
Balance at 1 July 2019	**750,749**	**1,782,733**	**2,533,482**
Revaluation adjustment	359,584	-	359,584
Surplus for the year	-	583,343	583,343
Total comprehensive income for the year	359,584	583,343	942,927
Balance at 30 June 2020	**1,110,333**	**2,366,076**	**3,476,409**
Revaluation adjustment	565,864	-	565,864
Surplus for the year	-	752,985	752,985
Total comprehensive income for the year	565,864	752,985	1,318,849
Balance at 30 June 2021	**1,676,197**	**3,119,061**	**4,795,258**

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

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from residents and subsidies		4,312,492	4,209,319
Payments to suppliers and labour hire		(4,123,542)	(3,942,324)
Net cash from operating activities	7(a)	**188,950**	**266,995**
Cash flows from investing activities			
Payments for property, plant and equipment		(180,200)	(337,171)
Proceeds from sale of property, plant and equipment		-	1,977
Net cash used in investing activities		**(180,200)**	**(335,194)**
Cash flows from financing activities			
Proceeds from refundable accommodation deposits		816,250	1,015,204
Payments for refundable accommodation deposits		(825,000)	(946,703)
Net cash (used in) / from financing activities		**(8,750)**	**68,501**
Net increase in cash and cash equivalents		**-**	**302**
Cash and cash equivalents at the beginning of the year		5,856	5,554
Cash and cash equivalents at the end of the year	7	**5,856**	**5,856**

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

1. Corporate information

In October 1920 the Scartwater Trust was constituted for charitable purposes relating to specified service personnel, their widows, children and other dependants to be funded by the operation of a pastoral property, "Scartwater Station".

The Scartwater Trust was subsequently amended a number of times in various ways. As so amended, and without limiting the original charitable purposes of the Scartwater Trust, the Scartwater Trust provided for the acquisition, development and operation of a home for specified classes of persons and additionally, for the provision of educational scholarships, bursaries or grants to specified classes of persons. On that basis the AHW Cunningham Memorial Home was established and that, together with some other residential facilities, continues as an aged-care facility. The Scartwater Trust also continues to meet the latter, educational objective. In a practical sense, the educational and aged-care functions of the Scartwater Trust are separate.

The terms of the Scartwater Trust divided responsibility for the Trust between a Custodian Trustee – initially the Public Curator of Queensland and now the Public Trustee – and Managing Trustees.

In 2004 RSL Care RDNS Limited (formerly RSL Care Limited) reached an agreement with the Managing Trustees by which RSL Care RDNS Limited ("the Trustee") would take over the responsibility to provide continuing aged-care using the relevant property of the Scartwater Trust, consistently with the purposes and objects of the Scartwater Trust.

In 2005 a formal division between the purpose and objects of aged-care and of education under the Scartwater Trust was created. The Trustee and the Custodian Trustee (the Public Trustee) executed the Scartwater (Aged Care) Trust Deed and the Trustee was appointed as the Managing Trustee of that part of the Scartwater Trust Fund that is now known as the Scartwater (Aged Care) Trust ("Trust").

As at 1 October 2016 the Scartwater (Aged Care) Trust ceased to be the approved aged care provider at the Cunningham Villas Residential Aged Care Facility and RSL Care RDNS Limited, the trustee of the Trust became the approved aged care provider.

2. Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Australian Charities and Not-for-profits Commission Act 2012 (C'th)* and the Trust Deed. RSL Care RDNS Limited as Trustee for the Trust is a not-for-profit entity for the purpose of preparing the financial statements.

These financial statements are presented in Australian dollars, which is the Trust's functional currency.

The financial statements of the Trust for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors of the Trustee on 30 September 2021.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

2. Basis of preparation (continued)

(b) Basis of measurement (continued)

The Trust's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities.

The fair value of the financial assets and liabilities is included as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value of non-financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, other than in a forced liquidation.

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

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

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

The following methods and assumptions were used to estimate the fair values. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

- Cash and short-term deposits, trade receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3. Significant accounting policies (continued)

(a) New and amended standards adopted by the Trust

Amendments to AASBs that are mandatorily effective for the current year

The Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

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

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and makes consequential amendments to several other pronouncements and publications.

The Trust has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

(b) Going concern

The Statement of Financial Position discloses total current assets of $2,941,003 (2020: $1,724,699) and total current liabilities of $3,236,342 (2020: $3,142,328). RSL Care RDNS Limited receives all refundable accommodation deposits and makes all payments on behalf of the Trust. Although the Trust is economically dependent on RSL Care RDNS Limited, there is no current intention that this loan will be called upon.

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

(c) Revenue and other income

The Trust recognises revenue under AASB 15 *Revenue from Contracts with Customers* and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Trust uses the five-step model as set out in AASB 15 to account for revenue arising from contracts with customers.

The transaction price is allocated to performance obligations on the basis of their relative standalone selling prices and recognised as revenue accordingly as those performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Trust.

(i) Residential Care

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

3. Significant accounting policies (continued)

(c) Revenue and other income (continued)

(ii) Government revenue

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

(iii) Donations and bequests

Donations received are recognised as revenue when the Trust gains control, economic benefits are probable and the amount of the donation can be reliably measured. Bequests are recognised when the legacy is received.

(iv) Other revenue

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

(v) Imputed revenue on RAD and bond balances

For residents receiving residential care services under a Refundable Accommodation Deposit (RAD) or accommodation bond arrangement, the Trust has determined these arrangements are considered leases for accounting purposes under AASB 16 *Leases* with the Trust acting as lessor. The Trust has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement and a corresponding non-cash increase in finance costs on the outstanding RAD and accommodation bond balances, with no net impact on the result for the period.

(d) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

(e) Net finance costs

Net finance costs comprise interest paid or payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested.

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

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

(f) Income tax and other taxes

(i) Income tax

No income tax liability exists as the Trustee and Trust are exempt from income tax in accordance with Section 50-5 of the Income Tax Assessment Act 1997 (C'th).

3. Significant accounting policies (continued)

(f) Income tax and other taxes (continued)

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of 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.
- Receivables and payables, which are stated with the amount of GST included.

The gross amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Non-derivative financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Trust initially recognises loans and receivables and term deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL.

The Trust has the following non-derivative financial assets: cash and cash equivalents and loans and receivables.

Cash and cash equivalents

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

Loans and receivables

Trade and other receivables are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The effective interest rate amortisation is included in finance income in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income in finance costs for loans and in other operating expenses for receivables.

(ii) Impairment of financial assets

The Trust recognises a loss allowance for expected credit losses on trade receivables and financial assets. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

3. Significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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

(iii) Non-derivative financial liabilities

The Trust initially recognises debt securities issued on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

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

The Trust has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Property, plant and equipment

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

(i) Property

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

Any revaluation surplus is recorded in Other Comprehensive Income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to that particular asset being sold is retained in the revaluation reserve.

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

3. Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(ii) Plant and equipment

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

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

(iii) Depreciation

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

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

	2021	**2020**
Buildings and leasehold improvements	2.5% - 10%	2.5% - 10%
Plant and equipment	10%	10%
Furniture, fixtures and fittings	10%	10%

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

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

(i) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Cash-generating units (determined by the Trusts' management as equivalent to its operating segments) are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Trustee's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset.

3. Significant accounting policies (continued)

(i) Impairment of non-financial assets (continued)

Impairment losses for cash-generating units are charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4. Significant accounting estimates and judgements

In the application of the Trust's accounting policies, which are described in note 3, the directors of the Trustee are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Revaluation of property, plant and equipment

The Trustee measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Trustee engages independent valuation specialists to determine fair value on a regular basis.

(b) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset.

5. Revenue from continuing operations

	2021 **$**	2020 $
Resident fees	1,119,692	1,132,651
Subsidies	3,988,794	3,742,593
Other revenue	158,814	7,118
Imputed revenue on RAD and accommodation bond balances	5,023	18,300
	5,272,323	**4,900,662**

6. Expenses

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

	2021 **$**	2020 $
Employee benefit expenses		
Salaries and wages	2,280,870	2,417,224
Superannuation	227,515	239,891
Employee benefit provision expense	243,755	184,445
Employee insurance provision	34,677	55,979
Agency, contractors and other employee benefits expense	275,494	84,426
	3,062,311	**2,981,965**
Finance costs		
Imputed interest cost on RAD and accommodation bond balances	**5,023**	**18,300**

7. Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	5,856	5,856
Cash and cash equivalents in the Statement of Cash Flows	**5,856**	**5,856**

(a) Reconciliation of surplus to cash flows from operating activities	**2021 $**	2020 $
Surplus for the financial year	752,985	583,343
Non-cash adjustments for:		
Depreciation of property, plant and equipment	288,726	249,954
	1,041,711	833,297
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables	(955,525)	(652,046)
Increase in trade and other payables	102,764	85,744
Net cash from operating activities	**188,950**	**266,995**

8. Trade and other receivables

	2021 $	2020 $
RSL Care RDNS Limited Loan	**2,915,722**	**1,700,135**

9. Property, plant and equipment

	Freehold land $	Buildings and leasehold improvements $	Plant and equipment $	Furniture, fixtures and fittings $	Work in progress $	Total $
2021						
Opening net book amount	800,000	3,300,000	518,585	14,674	260,779	**4,894,038**
Additions	-	14,773	144,753	6,419	14,255	**180,200**
Transfers	-	-	14,255	-	(14,255)	**-**
Disposals	-	-	-	-	(260,779)	**(260,779)**
Revaluation increment	100,000	465,864	-	-	-	**565,864**
Depreciation	-	(180,637)	(99,597)	(8,492)	-	**(288,726)**
Closing net book amount	**900,000**	**3,600,000**	**577,996**	**12,601**	**-**	**5,090,597**
Cost / valuation	900,000	3,600,000	1,537,868	66,741	-	**6,104,609**
Accumulated depreciation	-	-	(959,872)	(54,140)	-	**(1,014,012)**
Net book amount	**900,000**	**3,600,000**	**577,996**	**12,601**	**-**	**5,090,597**

9. Property, plant and equipment (continued)

	Freehold land $	Buildings and leasehold improvements $	Plant and equipment $	Furniture, fixtures and fittings $	Work in progress $	Total $
2020						
Opening net book amount	800,000	3,100,000	339,244	25,190	184,780	**4,449,214**
Additions	-	1,100	258,022	2,050	75,999	**337,171**
Disposals	-	-	(831)	(1,146)	-	**(1,977)**
Revaluation increment	-	359,584	-	-	-	**359,584**
Depreciation	-	(160,684)	(77,850)	(11,420)	-	**(249,954)**
Closing net book amount	**800,000**	**3,300,000**	**518,585**	**14,674**	**260,779**	**4,894,038**
Cost / valuation	800,000	3,300,000	1,376,397	61,271	260,779	**5,798,447**
Accumulated depreciation	-	-	(857,812)	(46,597)	-	**(904,409)**
Net book amount	**800,000**	**3,300,000**	**518,585**	**14,674**	**260,779**	**4,894,038**

9. Property, plant and equipment (continued)

(a) Land and building valuations

Freehold land and buildings were independently valued as at 30 June 2021. Any resulting movement in property values is taken to the Asset Revaluation Reserve.

The valuer used the following methodology to determine fair value of the Trust assets at 30 June 2021:

a) Calculated the sustainable trading potential for the site (maintainable EBITDA) and capitalised at 18.5% (2020: 10%).

b) Assessed the potential for Refundable Accommodation Deposit growth.

c) Conducted a depreciated replacement cost analysis to support the valuation calculated in a) and b).

10. Trade and other payables

	Note	**2021** **$**	2020 $
Current			
Refundable Accommodation Deposits	(a)	2,865,657	2,874,407
Accrued expenses		370,685	267,921
		3,236,342	**3,142,328**

(a) Refundable Accommodation Deposits

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

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

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

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

10. Trade and other payables (continued)

(a) Refundable Accommodation Deposits (continued)

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

From 1 October 2016, the Trust transferred the Approved Provider status for its residential care facility to RSL Care RDNS Limited, the Trustee of the Trust.

11. Reserves

(a) Asset revaluation reserve

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

12. Related party transactions

(a) Key management personnel compensation

The remuneration of key management personnel is included in the Financial Report of RSL (QLD) War Veterans' Homes Trust. These personnel are responsible for the management of the Trust and its services with all costs borne by RSL Care RDNS Limited in its capacity as Trustee of the RSL (QLD) War Veterans' Homes Trust.

13. Segment information

The principal activity of Scartwater (Aged Care) Trust during the financial year has been to provide residential aged care services.

14. Events subsequent to reporting date

In the opinion of the Directors of the Trustee, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that is expected to affect the operations of the Trust, the results of those operations or the state of affairs of the Trust significantly.

15. Economic dependency

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

16. Trust details

The registered office of the entity is:

Scartwater (Aged Care) Trust

Level 3, 44 Musk Avenue

Kelvin Grove QLD 4059

BOLTON CLARKE Be true to you

Directors' Declaration

The Directors of the Trustee declare that:

1. The Financial Statements and Notes:
   a. comply with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Trust Deed; and
   b. give a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of Directors of the Trustee.

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 30 September 2021