RSL Care RDNS Limited

(Trading as Bolton Clarke)

ACN 010 488 454

General Purpose Financial Report for the year ended 30 June 2021

The Directors of RSL Care RDNS Limited ACN 010 488 454 (**'Company'**), the Trustee of the RSL (QLD) War Veterans' Homes Trust ABN 50 181 542 617 (**'Trust'**) and the Managing Trustee of the Scartwater (Aged Care) Trust ABN 14 567 533 824 (**'Scartwater Trust'**) present their report on the Trust, the Scartwater Trust, Royal District Nursing Service Limited ABN 49 052 188 717 (**'RDNS'**) and the subsidiaries of RDNS (**'Group'**) for the financial year ended 30 June 2021 and the Independent Auditor's Report thereon.

1. Legal structure

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

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

On 1 April 2016, the Company, in its capacity as Trustee of the Trust, merged with RDNS, a public company limited by guarantee. The principal activity of RDNS is to provide relief from poverty, distress, sickness, disability, destitution, suffering, misfortune and helplessness to people in need as a public benevolent institution, including by providing nursing, caring and midwifery services. The Company commenced trading as Bolton Clarke in 2017.

2. Directors

(a) Qualifications and experience

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

Director	Committee Membership	Experience
Mr Pat McIntosh AM CSC B.Bus, GradDipMgnt, MBA, MAICD	Chairman of the Board	Mr McIntosh was a senior officer in the Australian Army where he served for 27 years. He is a graduate of the Australian Army Staff College and the Australian Defence College. He has a wide range of command and leadership experience, including senior command appointments and operational command. Following this, Mr McIntosh worked in the finance sector for 13 years and established a financial planning business. In addition to serving as Chair of Bolton Clarke, he is Chair of two for-profit businesses - Altura Learning and RDNS Hong Kong, and the Chair of not-for-profit provider, RDNS New Zealand. He is on the Advisory Board of the Royal Australian Regiment Corporation and was recently appointed to the Southern Cross Credit Union Board.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Mr Jeffrey McDermid B Econ, FAICD, FCA	Chair, Risk and Audit Committee Member, Nomination and Remuneration Committee	Mr McDermid has over 50 years' experience within the accounting profession and has been a director of not-for-profit and for-profit organisations. His other board roles have included property development, human resources, tourism, agricultural equipment supply, online retail, hotel, shopping centre and technology industries. Mr McDermid is a former member of the Griffith University Gold Coast Advisory Council. He is a former partner of WMS Chartered Accountants and Ernst & Young. Mr McDermid brings to the Board a wide variety of skills and experience in financial management, corporate governance and strategic thinking.
Mr Robert Lourey B.Bus, GAICD	Chair, Nomination and Remuneration Committee Member, Capital Committee	Mr Lourey has extensive experience as the principal human resources executive in large, internationally-based, publicly listed companies across a broad range of industries including international education, media, property development and construction, manufacturing, finance and banking. He is the former Chair of Australian not-for-profit organisation Access EAP and a former member of the KU Childrens Services, Michael Page plc, Afrox and Afrox Healthcare (RSA) Boards. He is a member of the Advisory Board of the Moir Group.
Mr Stuart Lummis B Econ, Grad Dip Proj & Const Mngt, Post Grad Dip Acctg, Finsia, FAICD	Chair, Capital Committee Member, Risk and Audit Committee	Mr Lummis has over 40 years' experience as a senior executive and company director, with a strong background in the property sector. Mr Lummis has extensive experience in both large publicly listed groups and not-for-profit organisations. He is Chair of the Property Advisory Committee for the Sisters of Saint Joseph. He is also a Director of Brisbane Markets Limited, Deaf Services Limited, National Trust (Australia) Queensland, the Queensland Heritage Council and a member of the Property Council of Australia Social Infrastructure Committee.
Dr Cherrell Hirst AO FTSE, MBBS, BEdSt, D.Univ (Honorary), FAICD	Chair, Clinical and Care Governance Committee Member, Risk and Audit Committee	Dr Hirst is Chair of the Advisory Board of the Institute for Molecular Bioscience at The University of Queensland and a member of the Board of the John Villiers Trust. Dr Hirst is a Director of Altura Learning and has recently retired as a Director of the Gold Coast Hospital and Health Service. Dr Hirst has formerly held Board membership of a number of organisations including Medibank Limited, Suncorp Metway Limited, Peplin Limited, Avant Group (including Avant Insurance Ltd), ImpediMed Limited and Factor Therapeutics Ltd. She was Chancellor of QUT for 10 years to 2004 and was Queenslander of the Year in 1995.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Adjunct Professor Michael Reid AM B.Ec	Member, Clinical and Care Governance Committee Member, Nomination and Remuneration Committee Member, Capital Committee	Adjunct Professor Reid has extensive experience as a director and is currently the National President of the Mental Illness Fellowship of Australia, Deputy Chair of the Central Adelaide Local Health District Governing Board and Chair of the Board Chairs, SA Health and of the Eastern Sydney Private Hospital. He is also a member of the Western Sydney Local Health District Board. He has held many public sector positions at Commonwealth and State Government levels including as the Director General of the Queensland Health Department, Director General of the Ministry for Science and Medical Research (NSW) and Director General of the NSW Health Department. In 2011, Adj. Prof. Reid was awarded the Sidney Sax Medal for his contribution to the Australian Health Service and in 2019 was appointed as a Member (AM) of the Order of Australia for significant service to the community through government and not-for-profit health roles, and to Indigenous welfare.

(b) Directors' attendance at meetings

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

Director	Directors' Meetings		Capital Committee		Risk and Audit Committee		Nomination and Remuneration Committee		Clinical Care and Governance Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
P. McIntosh	14	12	-	-	-	-	-	-	-	-
R. Lourey	14	14	4	4	-	-	5	5	-	-
J. McDermid	14	14	-	-	6	6	5	5	1	1
S. Lummis	14	14	4	4	6	6	-	-	-	-
C. Hirst	14	14	4	4	6	6	-	-	1	1
M. Reid	14	12	4	4	-	-	5	5	1	-

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

3. Company Secretary

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

4. Principal Activities and Objectives

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

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

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

5. Review and results of operations

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

The Group's Portfolio

The Group operates residential care facilities in Queensland (21 facilities) and New South Wales (4 facilities). As at 30 June 2021, these facilities had 2,577 (2020: 2,580) operational places. The Group also operates 25 retirement villages in Queensland (21 villages) and New South Wales (4 villages), with a total of 1,933 (2020: 1,935) units at 30 June 2021. 22 of the retirement villages are co-located with a residential care facility. Additionally, the Group provides services to more than 53,600 clients via its various community care programs.

COVID-19

The Group cares for those members of the community who are most vulnerable to the COVID-19 virus. Early and strict application of infection control measures including personal protective equipment, infection control training, increased cleaning, visitation restrictions, outbreak simulations, compulsory flu vaccinations for staff and access to COVID-19 vaccination clinics enabled the Group to prevent any clients or residents contracting COVID-19 during the year. These enhanced protection measures however came at significant additional cost of $6,835,000 (2020: $7,411,000).

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

The Group was not entitled to receive any financial assistance for staff through the Federal Government's JobKeeper subsidy arrangements during the year. However, the Board is pleased to note that the Group recorded an Operating EBITDA of $32,512,000 (2020: $40,027,000).

5. Review and results of operations (continued)

ROYAL COMMISION INTO AGED CARE QUALITY AND SAFETY

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

A number of key proposed changes include:

- A new basic daily fee supplement of $10 per resident per day from July 2021 subject to providers reporting on the adequacy of their daily living services to residents (with a focus on nutrition);
- A new residential care funding model (AN-ACC) to replace the current ACFI model for implementation from October 2022;
- Measures to improve transparency including a Star Rating system for the quality of aged care services by the end of 2022;
- A new value based Aged Care Act by July 2023;
- Minimum care time for residents by October 2023 (being an average of 200 minutes per resident per day, including 40 minutes of registered nurse time); and
- Discontinuing the Aged Care Approvals Round and allocating residential care places to consumers as opposed to the current bed licence arrangements from July 2024.

The Group proactively and positively engaged with the Royal Commission during its term, by:

- Making multiple submissions to the Royal Commission, including a response to the Interim Report and responses in respect of clinical governance and COVID-19 preparation;
- The Group's Research Institute was co-author of the Royal Commission research paper on Innovative Models of Care. The Director of the Research Institute was subsequently invited to a Royal Commission hearing as an expert witness on translation of research into practice; and
- The Group was the only aged care provider called as an expert witness to the Diversity in Aged Care hearings.

REVIEW OF FINANCIAL PERFORMANCE

Operating EBITDA for the year ended 30 June 2021 decreased by 19% from $40,027,000 to $32,512,000. In addition to depreciation, amortisation and net finance costs, Operating EBITDA excludes those revenue and expense items associated with COVID-19 and items that are not core to the ongoing operations of the Group. The calculation of Operating EBITDA is shown on page 7. Financial year 2020 saw the impacts of COVID-19 for a period of 4 months (March to June 2020). The costs of operating in a COVID-19 environment have been fully realised during the whole of the 2021 financial year.

Operating EBITDA is analysed for each business line on page 8. The year on year reduction in Operating EBITDA is attributable to the performance of Residential Care as a result of decreased occupancy and increased costs of resident protection measures in response to the COVID-19 operating environment.

The Group's statutory net deficit after income tax for the year was $8,157,000 (2020: deficit of $54,354,000). Notwithstanding the statutory net deficit, the Group had net assets of $214,179,000 at 30 June 2021 (2020: $231,069,000).

REVIEW OF FINANCIAL POSITION

The Group's total assets increased by 4.7% during the financial year, with the commencement of the construction of Europa on Alma – 81 independent living apartments in St Kilda. Total liabilities increased by 7.3%, mainly due to an increase in bank borrowings to fund the Group's capital works program. During the financial year an additional $89,541,000 of the Group's debt facilities was drawn down primarily to fund developments. In addition to commencing the construction of Europa on Alma, during the year the Group completed the construction of a new 162 bed residential care facility at Caboolture, Queensland. The new building replaced the existing facility, with residents moving into the new building in October 2020.

5. Review and results of operations (continued)

	2021 $'000	2020 $'000
Total operating revenue	**507,252**	498,162
Operating expenditure		
Employee benefits expense	**(364,690)**	(352,137)
Occupancy expenses	**(23,630)**	(22,269)
Repairs, maintenance and replacements	**(12,152)**	(13,875)
Rates and taxes	**(5,291)**	(5,177)
Information technology expenses	**(20,853)**	(18,814)
Share of loss of associate	**(521)**	-
Other expenses	**(47,603)**	(45,863)
Net operating expenses	**(474,740)**	(458,135)
Operating EBITDA	**32,512**	40,027
Non-operating income		
Surplus on disposal of assets	**516**	237
COVID-19 subsidy income	**11,647**	2,580
Non-operating expenses		
Impairment	**-**	(19,305)
Fair value decrement on retirement village assets	**(992)**	(23,385)
Retirement village residents' share of fair value (increment)/ decrement	**2,246**	(3,273)
COVID-19 expenses	**(6,835)**	(7,411)
Total EBITDA	**39,094**	(10,530)
Depreciation and amortisation	**(38,836)**	(36,024)
Finance costs	**(8,418)**	(9,852)
Finance income	**792**	2,606
Deficit for the year before income tax	**(7,368)**	(53,800)
Income tax expense	**(789)**	(554)
Deficit for the year after income tax	**(8,157)**	(54,354)

5. Review and results of operations (continued)

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

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

5. Review and results of operations (continued)

Year ended 30 June 2020	Residential Care $'000	Retirement Living $'000	At Home Support $'000	Other (i) $'000	Total $'000
Total operating revenue	**229,220**	**27,122**	**230,841**	**10,979**	**498,162**
Operating expenditure					
Employee benefits expense	(150,221)	(4,466)	(146,984)	(50,466)	**(352,137)**
Occupancy expenses	(15,909)	(681)	(1,045)	(4,634)	**(22,269)**
Repairs, maintenance and replacements	(7,710)	(5,354)	(235)	(576)	**(13,875)**
Rates and taxes	(2,118)	(2,299)	(1)	(759)	**(5,177)**
Information technology expenses	(321)	(58)	(1,793)	(16,642)	**(18,814)**
Other expenses (ii)	(24,796)	(6,529)	(61,156)	46,618	**(45,863)**
Net operating expenses	**(201,075)**	**(19,387)**	**(211,214)**	**(26,459)**	**(458,135)**
Operating EBITDA	**28,145**	**7,735**	**19,627**	**(15,480)**	**40,027**
Non-operating income					
Surplus on disposal of assets	-	-	-	237	**237**
COVID-19 subsidy income	-	-	-	2,580	**2,580**
Non-operating expenses					
Impairment	-	-	-	(19,305)	**(19,305)**
Fair value decrement on retirement village assets	-	(23,385)	-	-	**(23,385)**
Retirement village residents' share of fair value increment	-	(3,273)	-	-	**(3,273)**
COVID-19 expenses	-	-	-	(7,411)	**(7,411)**
Total EBITDA	**28,145**	**(18,923)**	**19,627**	**(39,379)**	**(10,530)**
Depreciation and amortisation	(14,776)	-	(2,390)	(18,858)	**(36,024)**
Finance costs	(2,009)	-	(470)	(7,373)	**(9,852)**
Finance income	-	57	-	2,549	**2,606**
(Deficit) / surplus for the year before income tax	**11,360**	**(18,866)**	**16,767**	**(63,061)**	**(53,800)**
Income tax expense	-	-	-	(554)	**(554)**
(Deficit) / surplus for the year after income tax	**11,360**	**(18,866)**	**16,767**	**(63,615)**	**(54,354)**

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

6. Significant changes in state of affairs

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

7. Going concern

The Consolidated Statement of Financial Position discloses total current assets of $88,627,000 (2020: $72,863,000) and total current liabilities of $928,142,000 (2020: $929,801,000). This largely arises because retirement village resident loans and refundable accommodation deposits (RADs), totalling $769,017,000 (2020: $774,888,000), are classified in full as a current liability, whereas the assets to which the loans and RADs relate (land, buildings and retirement village assets), are classified as non-current assets. Retirement village resident loans and RADs are classified as a current liability because the Group does not have an unconditional right to defer settlement of resident loans or RADs for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that the resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from financing activities $128,876,000 (2020: $118,005,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $140,851,000 (2020: $127,301,000).

In addition, the Group has a liquidity management strategy in place that requires available liquidity to be in excess of 10% of the total RADs liability, to ensure that refunds can be paid as and when they fall due. The current minimum liquidity level set by the Liquidity Management Strategy is $40,000,000 (2020: $40,000,000). This is 12.0% (2020: 11.7%) of the RADs liability of $333,483,000 (2020: $341,765,000) at year end. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that the Group adheres to the Liquidity Management Strategy.

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

8. Indemnification and insurance of officers and auditors

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

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

9. Environmental regulation

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

10. Economic dependency

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

11. Non-audit services

No non-audit services were provided by the Group's auditor during the financial year (2020: nil).

12. Events subsequent to reporting date

On 26 July 2021 the Company made a binding offer to acquire the shares of Japara Healthcare Limited (a company listed on the Australian Securities Exchange). This offer was unsuccessful, with the Board of Japara Healthcare Limited recommending shareholders accept a counter-offer made by Little Company of Mary Health Care Ltd (Calvary). The Group incurred costs of $1,300,000 in conducting due diligence prior to submitting the offer.

On 28 July 2021 the Company entered into a merger agreement with the RSL Care WA Retirement and Aged Care Association Incorporated (trading as Acacia Living Group). Acacia Living Group is a registered charitable organisation offering care and accommodation across seven retirement villages, two residential aged care facilities, respite and home care services in Western Australia. Upon completion of the merger, Acacia Living Group will become a 100% owned subsidiary of the Company. The merger will occur for nil consideration and is expected to complete in October 2021. The financial impact of the merger cannot be calculated until the date of completion.

On 4 September 2021 the Company entered into an agreement for the purchase of freehold land in Cleveland, Queensland for $2,450,000. The freehold land is intended to be held for development purposes.

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

The Board will consider these 2 publications, together with future developments and clarification of potential legislation changes, in their determination of the accounting treatment of bed licences for the year ending 30 June 2022. As a result, the accounting for bed licences as an indefinite life asset may change and result in accelerated amortisation of the carrying values to write these down to nil by 30 June 2024. The amortisation is a non cash item and would have no impact on the operations or cash flows of the business.

Other than the items described above, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that is expected to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

13. Contribution in winding up

The Company is incorporated under the *Corporations Act 2001 (C'th)* and is a company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute towards meeting any outstanding obligations of the entity. The Constitution requires each member to contribute a maximum of $10. At 30 June 2021, the total amount that members of the Company were liable to contribute if the Company was wound up was $230 (2020: $230).

14. Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012 (C'th)* is presented on page 13 and forms part of this Directors' Report.

15. Rounding off of amounts

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

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

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 30 September 2021

Deloitte.

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

30 September 2021

Dear Board Members

RSL Care RDNS Limited

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

As lead audit partner for the audit of the consolidated financial statements of RSL Care RDNS Limited for the financial year ended 30 June 2021 I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Vanessa de Waal
Partner
Chartered Accountants

Financial Statements

Notes to the Consolidated Financial Statements

Signed Reports

BOLTON CLARKE Be true to you

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	**2021 $'000**	2020 $'000
Revenue and other income			
Revenue from continuing operations	B1	**519,691**	503,348
Other income	B1	**516**	237
Total revenue and other income		**520,207**	503,585
Employee benefits expense	B2	**(370,305)**	(357,678)
Occupancy expenses		**(24,300)**	(23,648)
Repairs, maintenance and replacements		**(12,171)**	(13,996)
Rates and taxes		**(5,291)**	(5,177)
Depreciation and amortisation		**(39,076)**	(36,024)
Impairment		**-**	(19,305)
Information technology expenses		**(20,915)**	(18,965)
Fair value decrement on retirement village assets	D3	**(992)**	(23,385)
Retirement village residents' share of fair value increment/(decrement)		**2,246**	(3,273)
Finance costs		**(8,418)**	(9,852)
Share of loss of associate		**(521)**	-
Other expenses		**(47,832)**	(46,082)
Net total expenses		**(527,575)**	(557,385)
Deficit for the year before income tax		**(7,368)**	(53,800)
Income tax expense	B3	**(789)**	(554)
Deficit for the year attributable to RSL Care RDNS Limited		**(8,157)**	(54,354)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net (loss)/ gain on revaluation of land and buildings	D2	**(9,064)**	7,739
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**331**	(484)
Other comprehensive (deficit) / income for the year		**(8,733)**	7,255
Total comprehensive deficit for the year attributable to RSL Care RDNS Limited		**(16,890)**	(47,099)

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	E1	**59,962**	36,697
Trade and other receivables	C1	**18,345**	19,036
Prepayments and deposits		**10,280**	9,769
Current tax assets	B3	**40**	40
Non-current assets held for sale	D1	**-**	7,321
Total current assets		**88,627**	72,863
Non-current assets			
Prepayments and deposits		**3,274**	2,217
Property, plant and equipment	D2	**480,254**	480,480
Right-of-use assets	E3	**80,403**	89,140
Retirement village assets	D3	**661,093**	600,075
Intangible assets	D4	**64,716**	70,339
Investment in associate	F2	**2,223**	3,009
Total non-current assets		**1,291,963**	1,245,260
Total assets		**1,380,590**	1,318,123
Current liabilities			
Trade and other payables	C2	**52,840**	60,955
Provisions	C3	**52,257**	46,655
Unearned revenue	C4	**39,228**	33,701
Lease liabilities	E3	**10,198**	12,574
Interest-bearing liabilities	E4	**500**	500
Other financial liabilities	E5	**771,407**	775,416
Income tax payable		**1,712**	-
Total current liabilities		**928,142**	929,801
Non-current liabilities			
Provisions	C3	**6,178**	6,507
Lease liabilities	E3	**72,841**	79,052
Interest-bearing liabilities	E4	**158,969**	69,928
Deferred tax liabilities	B3	**281**	1,766
Total non-current liabilities		**238,269**	157,253
Total liabilities		**1,166,411**	1,087,054
Net assets		**214,179**	231,069
Equity			
Reserves	E2	**141,506**	150,239
Accumulated surplus		**72,673**	80,830
Total equity		**214,179**	231,069

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Acquisition reserve $'000	Accumulated surplus $'000	Total equity $'000
Balance at 1 July 2019	**121,225**	**(44)**	**21,803**	**135,184**	**278,168**
Comprehensive income / (deficit) for the year					
Decrement in value of freehold land and buildings	7,739	-	-	-	7,739
Foreign currency translation difference	-	(484)	-	-	(484)
Deficit for the year	-	-	-	(54,354)	(54,354)
Total comprehensive income / (deficit) for the year	**7,739**	**(484)**	**-**	**(54,354)**	**(47,099)**
Balance at 30 June 2020	**128,964**	**(528)**	**21,803**	**80,830**	**231,069**
Comprehensive income / (deficit) for the year					
Decrement in value of freehold land and buildings	(9,064)	-	-	-	(9,064)
Foreign currency translation difference	-	331	-	-	331
Deficit for the year	-	-	-	(8,157)	(8,157)
Total comprehensive income / (deficit) for the year	**(9,064)**	**331**	**-**	**(8,157)**	**(16,890)**
Balance at 30 June 2021	**119,900**	**(197)**	**21,803**	**72,673**	**214,179**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers, residents and subsidies		**525,516**	514,234
Payments to suppliers and employees		**(505,009)**	(472,887)
Net GST received		**5,930**	2,222
Donations and grants received		**819**	1,146
Net cash from operating activities	G4	**27,256**	44,715
Cash flows from investing activities			
Payments for property, plant and equipment		**(42,904)**	(69,978)
Payments for retirement village assets		**(46,282)**	(6,290)
Payments for intangible assets		**(912)**	(2,130)
Investment in associate	F2	**-**	(3,009)
Proceeds from sale of property, plant and equipment		**1,771**	1,605
Net cash used in investing activities		**(88,327)**	(79,802)
Cash flows from financing activities			
Payments for resident loans		**(27,340)**	(28,896)
Payments for refundable accommodation deposits		**(101,536)**	(89,109)
Proceeds from resident loans		**46,356**	29,259
Proceeds from refundable accommodation deposits		**94,225**	98,042
Payments of rental bonds		**(9)**	(12)
Repayment of loans		**(500)**	(500)
Net repayment of leases		**(8,784)**	(7,702)
Drawdown from interest-bearing loans and borrowings		**89,541**	45,000
Finance income		**286**	361
Finance costs		**(7,912)**	(8,203)
Net cash from financing activities		**84,327**	38,240
Net increase in cash and cash equivalents		**23,256**	3,153
Cash and cash equivalents at the beginning of the year		**36,697**	34,029
Effects of exchange rate changes on the balance of cash held in foreign currencies		**9**	(485)
Cash and cash equivalents at the end of the year	E1	**59,962**	36,697

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

A. About this report

Basis of Preparation and Statement of Compliance

RSL Care RDNS Limited ('Company') is a public company limited by guarantee, incorporated and domiciled in Australia and is a not-for profit entity for the purpose of preparing the financial statements. The address of the Company's registered office and its principal place of business is Level 3, 44 Musk Avenue, Kelvin Grove, Queensland, Australia. The financial statements are for the consolidated entity consisting of RSL Care RDNS Limited and its subsidiaries as disclosed in Note F1, together are referred to as the 'Group'.

The financial statements were authorised for issue by the Directors on 30 September 2021.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012 (C'th).*
- Have been prepared under the historical cost convention, as modified by the revaluation of certain properties and financial instruments at fair value.
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with ASIC Corporations (Rounding Financials / Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.
- Present reclassified comparative information where required for consistency with the current year's presentation.
- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020.

A1. Significant judgements and estimates

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

	Note
Deferred tax liabilities	B3
Employee benefits	C3
Land and building valuations	D2
Work in progress	D2
Valuation of retirement village assets	D3
Valuation and impairment of intangible assets – goodwill	D4
Valuation and impairment of intangible assets – bed licences	D4
Valuation and impairment of intangible assets – program library	D4
Valuation and impairment of intangible assets – customer contracts	D4

A2. Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2021. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

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

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

A3. Accounting policies

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

(i) Foreign currency

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

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

(ii) New and amended standards adopted by the Group

Amendments to AASBs that are mandatorily effective for the current year

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

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

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

A3. Accounting policies (continued)

(ii) New and amended standards adopted by the Group (continued)

Amendments to AASBs that are mandatorily effective for the current year (continued)

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

This Standard amends AASB 3 *Business Combinations*. The Group has adopted the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

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 Group 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.

A4. The notes to the financial statements

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

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

A4. The notes to the financial statements (continued)

The notes are organised into the following sections:

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

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

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

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

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

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

A5. Key events and transactions for the reporting period

(a) Impact of COVID-19

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

As a result of COVID-19, the Group's financial performance during 2021 has been directly and indirectly impacted with additional costs and reduced revenue. These impacts are described in Section 5 of the Directors' Report.

(b) Construction of Fernhill residential care facility

During the year, the Group completed the construction of a new 162 bed residential care facility at Caboolture, Queensland. The new building replaced the existing facility, with residents transitioning in October 2020. The construction was funded by the Group's secured debt facility (note E4 (ii)) and is recorded in Property, Plant and Equipment at is fair value at 30 June 2021 (note D2).

(c) Construction of Europa on Alma retirement village

During the year the Group commenced construction of a new 81 apartment independent living facility (retirement village) in St Kilda, Victoria. Construction is expected to complete in November 2021. The construction was funded by the Group's secured debt facility (note E4 (ii)) and it recorded as Work in Progress in Retirement Village Assets, at its fair value at 30 June 2021 (note D3).

A6. Going concern

The Consolidated Statement of Financial Position discloses total current assets of $88,627,000 (2020: $72,863,000) and total current liabilities of $928,142,000 (2020: $929,801,000). This largely arises because retirement village resident loans and refundable accommodation deposits (RADs), totalling $769,017,000 (2020: $774,888,000), are classified in full as a current liability, whereas the assets to which the loans and RADs relate (land, buildings and retirement village assets), are classified as non-current assets. Retirement village resident loans and RADs are classified as a current liability because the Group does not have an unconditional right to defer settlement of resident loans or RADs for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that the resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from financing activities $128,876,000 (2020: $118,005,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $140,851,000 (2020: $127,301,000).

In addition, the Group has a liquidity management strategy in place that requires available liquidity to be in excess of 10% of the total RADs liability, to ensure that refunds can be paid as and when they fall due. The current minimum liquidity level set by the Liquidity Management Strategy is $40,000,000 (2020: $40,000,000). This is 12.0% (2020: 11.7%) of the RADs liability of $333,483,000 (2020: $341,765,000) at year end. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that the Group adheres to the Liquidity Management Strategy.

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

B. Results for the year

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

B1. Revenue and other income

(a) Revenue from continuing operations

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

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

(i) Customer and Client Fees

Residential Care and At Home Support

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

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

Retirement Living

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

(ii) Deferred Management Fees

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

(iii) Government revenue

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

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

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

B1. Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

(iii) Government revenue (continued)

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

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

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

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

(iv) Donations

Donations and bequests are recognised as revenue where this is an 'enforceable' contract with a customer with 'sufficiently' specific performance obligations, income is recognised when the performance obligations are satisfied.

(v) Finance income

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method. The effective interest rate method is described in note E6.

(vi) Other revenue

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

(vii) **Imputed revenue on RAD and bond balances**

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

	2021 $'000	2020 $'000
Customer and client fees	**131,490**	110,802
Deferred Management Fees	**12,450**	13,020
Government revenue	**356,733**	366,977
Donations	**784**	1,140
Finance income	**286**	361
Other revenue	**17,442**	8,803
Imputed revenue on RAD and bond balances	**506**	2,245
	519,691	503,348

B1. Revenue and other income (continued)

(a) Other income

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

	2021 $'000	2020 $'000
Surplus on disposal of property, plant and equipment	**516**	237

B2. Expenses

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

	Note	**2021 $'000**	2020 $'000
Employee benefit expenses			
Salaries and wages		**282,737**	273,978
Superannuation		**26,662**	26,438
Employee benefit provision expense		**29,856**	27,020
Employee insurance provision		**5,009**	4,081
Agency, contractors and other employee benefits expense		**26,041**	26,161
		370,305	357,678
Depreciation and amortisation			
Property, plant and equipment	D2	**23,125**	20,495
Intangible assets	D4	**5,939**	6,318
Right-of-use assets	E3	**10,012**	9,211
		39,076	36,024
Finance costs			
Interest and finance charges		**7,912**	7,607
Imputed interest cost on RAD and accommodation bond balances	B1	**506**	2,245
		8,418	9,852
Bad debts expense			
Bad debts expense		**212**	797
Loss on disposal of assets			
Loss on disposal of assets		**571**	79

B2. Expenses (continued)

Amounts relating to leases		
Depreciation expense on right-of-use assets	**10,012**	9,210
Interest expense on lease liabilities	**3,174**	3,243
Expense relating to short-term leases	**96**	316
	13,282	12,769

B3. Income tax

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

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

B3. Income tax (continued)

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

(c) Current and deferred tax for the year

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

Significant judgement

Deferred tax liabilities

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

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

	2021 $'000	2020 $'000
Income tax recognised in profit or loss		
Current tax – in respect of the current year	**2,604**	641
Current tax – in respect of prior periods	**105**	-
Deferred tax – in respect of the current year	**(1,693)**	(87)
Deferred tax – in respect of prior periods	**(227)**	-
Total income tax expense recognised in the current year	**789**	554
The income tax expense can be reconciled to the accounting surplus as follows:		
Deficit before income tax	**(7,368)**	(53,800)
Prima facie income tax expense at 30%	**(2,210)**	(16,140)
Effect of net income that is exempt from taxation	**3,121**	16,694
Adjustments recognised in the current year relating to prior periods	**(122)**	-
Income tax expense recognised in profit or loss	**789**	554
Current tax assets		
Balance at 1 July	**40**	40
Income tax payments made	**-**	-
	40	40

B3. Income tax (continued)

Deferred tax balances

	2019 $'000	Recognised in profit or loss $'000	2020 $'000	Recognised in profit or loss $'000	2021 $'000
Deferred tax (liabilities)/assets in relation to:					
Accruals	**28**	3	**31**	20	**51**
Employee provisions	**56**	1	**57**	68	**125**
Provision for doubtful debts	**1**	2	**3**	(3)	**-**
Intangible assets	**(2,158)**	93	**(2,065)**	1,608	**(457)**
	(2,073)	99	**(1,974)**	1,693	**(281)**
Tax losses	**849**	(641)	**208**	(208)	**-**
	(1,224)	(542)	**(1,766)**	(1,485)	**(281)**

B4. ACNC segment information

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

	2021			
	Registered Charities *(i)*	**Non-registered entities**	**Eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**
Statement of Profit or Loss and Other Comprehensive Income				
Revenue				
Government subsidies	**356,733**	-	-	**356,733**
Donations and bequests	**784**	-	-	**784**
Other revenue	**127,994**	34,879	(699)	**162,174**
Total revenue	**485,511**	34,879	(699)	**519,691**
Other income	**511**	5	-	**516**
Total revenue and income	**486,022**	34,884	(699)	**520,207**
Expenses				
Employee benefits expense	**(346,158)**	(24,147)	-	**(370,305)**
Other expenses	**(149,680)**	(6,839)	(751)	**(157,270)**
Total expenses	**(495,838)**	(30,986)	(751)	**(527,575)**
Net (deficit) / surplus before income tax	**(9,816)**	3,898	(1,450)	**(7,368)**
Income tax expense	**-**	(789)	-	**(789)**
Net (deficit) / surplus after income tax	**(9,816)**	3,109	(1,450)	**(8,157)**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Net loss on revaluation of land and buildings	**(9,064)**	-	-	**(9,064)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	**-**	331	-	**331**
Total other comprehensive income / (deficit) for the year	**(9,064)**	331	-	**(8,733)**
Total comprehensive income / (deficit) for the year	**(18,880)**	3,440	(1,450)	**(16,890)**

(i) See page 31

B4. ACNC segment information (continued)

	2021			
	Registered Charities *(i)*	**Non-registered entities**	**Eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**
<u>Consolidated Statement of Financial Position</u>				
Assets				
Total current assets	**79,554**	9,073	-	**88,627**
Total non-current assets	**1,274,549**	17,414	-	**1,291,963**
Total assets	**1,354,103**	26,487	-	**1,380,590**
Liabilities				
Total current liabilities	**898,705**	29,437	-	**928,142**
Total non-current liabilities	**254,079**	988	(16,798)	**238,269**
Total liabilities	**1,152,784**	30,425	(16,798)	**1,166,411**
Net assets	**201,319**	(3,938)	16,798	**214,179**

(i) ACNC Registered Charities

RSL Care RDNS Limited

RSL Care RDNS Limited as trustee for RSL (QLD) War Veterans' Trust

RSL Care RDNS Limited as trustee for Scartwater (Aged Care) Trust

Royal District Nursing Service Limited

RDNS Homecare Limited

RDNS 2007 Pty Ltd as trustee for RDNS Charitable Trust

B5. Fundraising information

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

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

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

	2021	2020
	$'000	$'000
Results of fundraising appeals conducted during the year		
Gross proceeds from fundraising appeals	**2,781**	2,653
Less: direct costs of fundraising appeals	**(497)**	(425)
Net surplus obtained from fundraising appeals	**2,284**	2,228

C. Working capital and other assets and liabilities

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

C1. Trade and other receivables

		2021 $'000	2020 $'000
Current			
Trade receivables	(a)	**14,033**	16,424
Allowance for impairment	(b)	**(1,545)**	(2,017)
Net trade receivables		**12,488**	14,407
Sundry receivables		**5,729**	4,500
Security deposits		**128**	129
		18,345	19,036

(a) Trade receivables

The balance of refundable accommodation deposits receivable included in trade receivables at 30 June 2021 is $1,485,000 (2020: $3,000,000).

(b) Allowance for impairment

Trade receivables are reviewed annually for impairment (refer to note E6). As at 30 June 2021 an amount of $2,561,000 (2020: $6,720,000) is outstanding greater than 30 days, excluding refundable accommodation deposits receivable.

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

	2021 $'000	2020 $'000
Current		
Balance at 1 July	**2,017**	1,540
Amounts written off (uncollectable)	**(684)**	(320)
Impairment loss	**212**	797
	1,545	2,017

C2. Trade and other payables

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

	Note	2021 $'000	2020 $'000
Current unsecured liabilities			
Trade payables		**14,769**	23,207
Accrued expenses		**19,372**	15,462
Maintenance reserve fund / capital works fund	E1	**8,227**	8,078
Other payables		**10,472**	14,208
		52,840	60,955

C3. Provisions

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

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

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

(a) Employee benefits

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

Significant judgement

Employee benefits

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

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

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts in current other payables and provisions and represent the amounts expected to be paid when liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable.

C3. Provisions (continued)

(a) Employee benefits (continued)

(ii) Long term employee benefits

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

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

(iii) Superannuation plan

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

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

(b) Self-insurance provision

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

(c) Provision balances

	Note	**2021** **$'000**	2020 $'000
Current			
Employee benefits	(a)	**51,480**	45,808
Self-insurance – workplace injury	(b)	**777**	847
		52,257	46,655
Non-current			
Employee benefits	(a)	**4,873**	5,150
Self-insurance – workplace injury	(b)	**1,305**	1,357
		6,178	6,507

C3. Provisions (continued)

(d) Provision movements

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

Workplace injury	**2021 $'000**	2020 $'000
Balance at the beginning of the year	**2,204**	2,546
Provisions made	**1,535**	997
Amounts used	**(1,657)**	(1,339)
Balance at the end of the year	**2,082**	2,204

C4. Unearned revenue

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

	2021 $'000	2020 $'000
Current		
Fees in advance	**8,572**	4,767
Government funding	**30,656**	28,934
	39,228	33,701

D. Tangible and intangible assets

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

D1. Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment once classified as held for sale are not depreciated or amortised.

	2021 $'000	2020 $'000
Freehold land	-	7,321

The sale of Bradman Street, Acacia Ridge, Queensland was settled on 12 May 2021. The sale of Elgar Road, Box Hill, Victoria did not proceed and accordingly has been transferred back to freehold land. Development opportunities are being considered for this site.

D2. Property, plant and equipment

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

(i) Land and buildings

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

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

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

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

Significant Judgement

Land and building valuations
Freehold land and buildings are independently valued on a rotational basis, at least every three years. At 30 June 2021 a fair value assessment was made based on market conditions. The resulting movement in property values has been taken to the Asset Revaluation Reserve.

The independent valuer used the following methodology to determine fair value of the Group's Residential Care assets at 30 June 2021:

a. Calculated the sustainable trading potential for each site (maintainable EBITDA) and capitalised at market assessed rates between 8% and 20% (2020: 6% and 20%).
b. Assessed the potential for refundable accommodation deposit (room price) growth.
c. Conducted a depreciated replacement cost analysis to support the valuation calculated in a. and b.

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

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

(iii) Depreciation

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

D2. Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

(iv) Derecognition

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

(v) Impairment of assets

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

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

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

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

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

Significant Judgement

Work in progress

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

D2. Property, plant and equipment (continued)

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

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

D2. Property, plant and equipment (continued)

	Freehold land $'000	Buildings and leasehold improvements $'000	Finance leased land and buildings $'000	Plant and equipment $'000	Information Technology $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
2020								
Opening net book amount	**161,824**	**214,671**	**39,635**	**22,428**	**7,149**	**14,561**	**20,888**	**481,156**
Additions	-	486	-	3,484	4,669	416	60,923	**69,978**
Transferred to right-of-use asset	-	-	(39,635)	-	(891)	(9,902)	-	**(50,428)**
Transfers	300	4,110	-	4,801	5,294	-	(21,778)	**(7,273)**
Disposals	-	(36)	-	(161)	-	-	-	**(197)**
Revaluation increment	1,876	5,863	-	-	-	-	-	**7,739**
Depreciation	-	(10,253)	-	(4,128)	(4,970)	(1,144)	-	**(20,495)**
Closing net book amount	**164,000**	**214,841**	**-**	**26,424**	**11,251**	**3,931**	**60,033**	**480,480**
Cost / valuation	164,000	272,701	-	59,878	38,871	11,965	60,033	**607,448**
Accumulated depreciation	-	(57,860)	-	(33,454)	(27,620)	(8,034)	-	**(126,968)**
Net book amount	**164,000**	**214,841**	**-**	**26,424**	**11,251**	**3,931**	**60,033**	**480,480**

D3. Retirement village assets

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

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

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

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

Significant Judgement

Valuation of retirement village assets

The Group carries its retirement village assets at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 30 June 2021. The valuations comprise the "in-one-line" value of completed unsold/repurchased stock and rental dwellings; and assessed market value of the proprietary interest (deferred management fees) secured by the existing resident contracts associated with those occupied dwellings as well as the impact of COVID-19.

A valuation of retirement village assets by independent valuers was undertaken at 31 January 2021 and adjusted for material changes at 30 June 2021. The valuer used the following methodology to determine fair value of the Group's retirement village assets at 30 June 2021:

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

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

	2021 $'000	2020 $'000
Balance at beginning of the year	**600,075**	613,101
Additions – Work in Progress	**38,324**	-
Additions – Capital improvements	**7,958**	6,290
Additions – Transfers	**15,728**	4,069
Fair value adjustments	**(992)**	(23,385)
Balance at end of the year	**661,093**	600,075

D4. Intangible assets

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

(i) Goodwill

Goodwill is an asset recognised in a business combination and represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. It has an indefinite useful life and is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed). After initial recognition, it is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Significant judgement

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

(ii) Software

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

Software-as-a-Service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

D4. Intangible assets (continued)

(iii) Residential care bed licences

Residential care bed licences that are acquired separately have an indefinite useful life. Such assets are tested for impairment in accordance with the policy stated in note D2.

In the May 2021 Federal Budget, the Australian Government announced its intention to deregulate allocated places (bed licences) by 1 July 2024 with the current system remaining in place until 30 June 2024. As the scope and content of the reforms remained unknown at 30 June 2021, there has been no change to the accounting treatment of bed licences for the year ended 30 June 2021.

Significant judgement

Valuation and impairment of bed licences

Determining whether bed licences are impaired requires an estimation of the fair value of the residential care facility to which the bed licences relate. The Group engaged an independent expert to fair value the facilities at 30 June 2021, using the methodology described in note D2. No impairment was recognised in the current financial year.

(iv) Program library

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

Significant judgement

Valuation and impairment of program library

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

(v) Customer contracts

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

Significant judgement

Valuation and impairment of customer contracts

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

(vi) Derecognition of intangible assets

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

D4. Intangible assets (continued)

	Note	Goodwill $'000	Software $'000	Residential care bed licences $'000	Program library $'000	Customer contracts $'000	Total $'000
2021							
Opening net book amount		47,205	12,947	2,190	6,867	1,130	**70,339**
Additions		-	21	-	891	-	**912**
Transfers from WIP		-	264	-	-	-	**264**
Disposals		-	(860)	-	-	-	**(860)**
Amortisation		-	(4,135)	-	(1,591)	(213)	**(5,939)**
Closing net book amount		47,205	8,237	2,190	6,167	917	**64,716**
Cost		**75,040**	**33,764**	**2,190**	**13,578**	**2,130**	**126,702**
Accumulated amortisation and impairment		(27,835)	(25,527)	-	(7,411)	(1,213)	**(61,986)**
Net book amount		47,205	8,237	2,190	6,167	917	**64,716**
2020							
Opening net book amount		65,240	14,824	2,190	8,274	1,598	**92,126**
Additions		-	520	-	1,610	-	**2,130**
Transferred to right-of-use assets	E3	-	(1,281)	-	-	-	**(1,281)**
Transfers from WIP		-	3,633	-	-	-	**3,633**
Disposals		-	(646)	-	-	-	**(646)**
Impairment		(18,035)	-	-	(1,016)	(254)	**(19,305)**
Amortisation		-	(4,103)	-	(2,001)	(214)	**(6,318)**
Closing net book amount		**47,205**	**12,947**	**2,190**	**6,867**	**1,130**	**70,339**
Cost		75,040	33,490	2,190	12,688	2,130	**125,538**
Accumulated amortisation and impairment		(27,835)	(20,543)	-	(5,821)	(1,000)	**(55,199)**
Net book amount		**47,205**	**12,947**	**2,190**	**6,867**	**1,130**	**70,339**

E. Capital structure and financing

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

E1. Cash and cash equivalents

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

		2021 $'000	2020 $'000
Cash at bank and on hand		**40,139**	21,222
Short-term deposits		**93**	88
Trust account		**69**	66
Secure capital replacement fund	(c)	**10,509**	6,998
Maintenance reserve fund / capital works fund	(d)	**9,152**	8,323
Cash and cash equivalents in the Consolidated Statement of Cash Flows		**59,962**	36,697

(a) Restricted cash

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

	2021 $'000	2020 $'000
Restricted cash	**19,730**	15,321

(b) Interest rates

The effective interest rate on cash at bank was 0.01% (2020: 0.05%). The effective rate on short term bank deposits was 0.20% (2020: 1.13%).

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

(c) Secure capital replacement fund

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

(d) Maintenance reserve fund / capital works fund

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

E2. Reserves

(i) Asset revaluation reserve

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

(ii) Acquisition reserve

The acquisition reserve was created on the merger with RDNS in 2016. The acquisition reserve reflects the fair value of the net assets of RDNS on the date of the merger.

(iii) Foreign currency translation reserve

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

E3. Right-of-use assets and lease liabilities

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

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

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

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

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

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

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note D2.

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

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group leases several assets including residential care facilities, office buildings, motor vehicles and IT equipment. The average lease term of the residential care facilities is 20 years (2020: 20 years) while the average lease term of the other assets is 6 years.

The total cash outflow for leases amounted to $14,720,000 (2020: $11,850,000).

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

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

	Note	Right-of-use assets Buildings $'000	Motor vehicles $'000	Equipment $'000	Software $'000	Total $'000	Lease liabilities $'000
2021							
Opening net book amount		**73,293**	**10,570**	**4,526**	**751**	**89,140**	**91,626**
Additions		1,963	3,817	375	-	**6,155**	**6,277**
Disposals		(2,447)	(2,433)	-	-	**(4,880)**	**(2,398)**
Depreciation		(6,281)	(1,568)	(1,633)	(530)	**(10,012)**	**-**
Interest expense		-	-	-	-	**-**	**(1,032)**
Lease payment		-	-	-	-	**-**	**(11,434)**
Closing net book amount		66,528	10,386	3,268	221	**80,403**	**83,039**
Cost		**85,287**	**12,670**	**6,113**	**1,590**	**105,660**	**-**
Accumulated depreciation		(18,760)	(2,283)	(2,845)	(1,369)	**(25,257)**	**-**
Net book amount		66,527	10,387	3,268	221	**80,403**	**-**
2020							
Opening net book amount		-	-	-	-	**-**	**52,146**
Adoption of AASB 16 *Leases*	D2, D4	41,646	9,902	891	1,281	**53,720**	**33,400**
Additions		37,752	4,798	4,632	-	**47,182**	**18,580**
Disposals		-	(2,551)	-	-	**(2,551)**	**-**
Depreciation		(6,105)	(1,579)	(997)	(530)	**(9,211)**	**-**
Interest expense		-	-	-	-	**-**	**(747)**
Lease payment		-	-	-	-	**-**	**(11,753)**
Closing net book amount		**73,293**	**10,570**	**4,526**	**751**	**89,140**	**91,626**
Cost		86,146	12,170	5,738	1,590	**105,644**	**-**
Accumulated depreciation		(12,853)	(1,600)	(1,212)	(839)	**(16,504)**	**-**
Net book amount		**73,293**	**10,570**	**4,526**	**751**	**89,140**	**-**

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

(c) Concessionary leases

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

E4. Interest bearing liabilities

(a) Borrowings

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

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

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

(i) Unsecured Commonwealth Government loan

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

(ii) Committed facilities

On 28 June 2021, the Group refinanced the debt facility, increasing the facility amount to $440 million. This facility is secured by registered mortgages over the properties of RSL (Qld) War Veterans' Homes Trust and a general security interest over all property of both RSL (Qld) War Veterans' Homes Trust and Royal District Nursing Service Limited. The primary purpose of the facility is to fund future property developments. The facility will also be used to meet the prudential requirements of the *Aged Care Act 1997 (Cth)* – to demonstrate sufficient liquidity to return refundable accommodation deposits to departing residents, as they fall due (refer to note E5(b)). At 30 June 2021, the Group had drawn $158,886,000 (2020: $69,345,000) of this facility.

(b) Carrying amount

	2021 $'000	2020 $'000
Current		
Unsecured Commonwealth Government loan	**500**	500
Non-current		
Secured loan	**158,886**	69,345
Unsecured Commonwealth Government loan	**83**	583
	158,969	69,928

E5. Other financial liabilities

		2021 $'000	2020 $'000
Retirement village entry contributions	(a)	**437,508**	433,123
Refundable accommodation deposits	(b)	**333,483**	341,765
Other loans	(c)	**416**	528
		771,407	775,416

(a) Retirement village entry contributions

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

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

(b) Refundable accommodation deposits

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

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

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

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

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

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

E5. Other financial liabilities (continued)

(c) Other loans

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

E6. Financial instruments

The classification of financial instruments depends on the nature and purpose of the asset or liability and is determined at the time of initial recognition. The Group has the following non-derivative financial assets and liabilities which are all measured at amortised cost using the effective interest rate method:

	Note Reference
Financial assets	
Trade and other receivables	C1
Cash, cash equivalents and term deposits	E1
Financial liabilities	
Lease liabilities	E3
Loans (Interest-bearing liabilities)	E4
Trade and other payables	C2
Other financial liabilities	E5

(i) Initial recognition

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

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

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

E6. Financial instruments (continued)

(ii) Measurement bases

Amortised cost using the effective interest rate method

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

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

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

Fair value

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

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

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

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

(iii) Derecognition

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

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

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

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

E6. Financial instruments (continued)

(iv) Impairment of financial assets

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

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

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

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

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

(v) Offsetting

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

E6. Financial instruments (continued)

(vi) Carrying amounts

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

	Note	2021 $'000	2020 $'000
Financial assets measured at amortised cost			
Current			
Cash and cash equivalents	E1	**59,962**	36,697
Trade and other receivables	C1	**18,345**	19,036
Total financial assets		**78,307**	55,733
Financial liabilities measured at amortised cost			
Current			
Trade and other payables	C2	**52,840**	60,955
Lease liabilities	E3	**10,198**	12,574
Interest-bearing liabilities	E4	**500**	500
Other financial liabilities	E5	**771,407**	775,416
		834,945	849,445
Non-current			
Lease liabilities	E3	**72,841**	79,052
Interest-bearing liabilities	E4	**158,969**	69,928
		231,810	148,980
Total financial liabilities		**1,066,755**	998,425

F. Group structure

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

F1. Subsidiaries

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

As required by the ACNC, the ABN's of those entities registered with the ACNC have been disclosed. Any entities that are registered as Deductible Gift Recipients have also been identified.

F1. Subsidiaries (continued)

Name of subsidiary	ABN	Deductible Gift Recipient	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
					2021	2020
RSL (QLD) War Veterans' Homes Trust[(i)(ii)]	50 181 542 617	Yes	Aged care and provision of community services	Australia	**Nil**	Nil
Scartwater (Aged Care) Trust[(i)(ii)]	14 567 533 824	No	Residential care	Australia	**Nil**	Nil
Royal District Nursing Service Limited[(ii)]	49 052 188 717	Yes	Provision of community services	Australia	**100%**	100%
RDNS Homecare Limited[(ii)]	13 152 438 152	Yes	Provision of community services	Australia	**100%**	100%
Royal District Nursing Service New Zealand Limited	-	No	Provision of community services	New Zealand	**100%**	100%
RDNS Charitable Trust[(ii)]	41 099 629 566	No	Property management	Australia	**100%**	100%
Royal District Nursing Service (Hong Kong) Limited	-	No	Consulting services	Hong Kong	**100%**	100%
Altura Learning Australia Pty Ltd	39 054 798 962	No	Education content	Australia	**100%**	100%
Altura Learning United Kingdom Limited	-	No	Education content	United Kingdom	**100%**	100%

(i) The Company administers the Trust as Trustee.
(ii) Entity is registered with ACNC.

F2. Investment in associate

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

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

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

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy in note D2.

The Group has an interest in the following associate:

		Ownership Interest		
Name	**Country of Operation**	**2021 %**	**2020 %**	**Principal activity**
Shanghai Yango & RDNS Healthcare Management Co. Ltd	China	30%	30%	Aged care consulting

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

F3. Parent entity disclosures

The Company acts as Trustee of two trusts, the RSL (QLD) War Veterans Homes' Trust and the Scartwater Trust. The Company does not carry on business in its individual capacity. The Company does not have any assets or liabilities and does not generate any profit or loss (2020: nil).

G. Other items

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

G1. Commitments

(a) Capital commitments

The Group had capital expenditure commitments of $50,635,000 at 30 June 2021 (2020: $44,884,000).

G2. Contingent liabilities

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

The Group has provided bank guarantees to third parties as guarantees of self-insurance liabilities, program delivery and premises rental. The secured bank guarantees are subject to annual review. The value of bank guarantees issued as at the end of the financial year was $4,868,000 (2020: $4,809,000).

G3. Related party transactions

(a) Key management personnel compensation

Key management personnel are the Directors and executives who collectively have the authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel compensation includes the following expenses recognised during the reporting period:

	2021 **$**	2020 $
Total compensation – Directors	**525,833**	514,934
Total compensation – Executives	**4,458,216**	5,214,734
Total compensation	**4,984,049**	5,729,668

The amounts disclosed in the table above are the amounts recognised as an expense during the reporting period related to key management personnel.

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

(b) Non-key management personnel disclosures

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

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

	2021 $'000	2020 $'000
Deficit for the financial year	**(8,157)**	(54,354)
Non-cash adjustments for:		
Depreciation of right-of-use assets, property, plant and equipment	**33,137**	29,706
Amortisation of intangible assets	**5,939**	6,318
Impairment	**-**	19,305
Net loss / (gain) on sale of assets	**55**	(157)
Share of joint venture loss	**521**	-
Accommodation bond retentions	**(2)**	5
Deferred management fees	**(12,450)**	(13,020)
Net (gain) /loss on retirement village assets	**(1,254)**	26,658
	17,789	14,461
Non-operating item adjustments for:		
Finance costs	**7,912**	9,801
Finance income	**(792)**	(2,606)
	24,909	21,656
Changes in operating assets and liabilities:		
Decrease in trade and other receivables	**(618)**	(2,760)
Increase in prepayments	**(1,442)**	(1,186)
(Increase) / decrease in trade and other payables	**(6,685)**	12,832
Increase/ (decrease) in provisions	**5,273**	(172)
Increase in unearned revenue	**5,592**	14,555
Increase / (decrease) in tax liabilities	**227**	542
Decrease in other liabilities	**-**	(752)
Net cash from operating activities	**27,256**	44,715

G5. Economic dependency

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

G6. Events subsequent to reporting date

On 26 July 2021 the Company made a binding offer to acquire the shares of Japara Healthcare Limited (a company listed on the Australian Securities Exchange). This offer was unsuccessful, with the Board of Japara Healthcare Limited recommending shareholders accept a counter-offer made by Little Company of Mary Health Care Ltd (Calvary). The Group incurred costs of $1,300,000 in conducting due diligence prior to submitting the offer.

On 28 July 2021 the Company entered into a merger agreement with the RSL Care WA Retirement and Aged Care Association Incorporated (trading as Acacia Living Group). Acacia Living Group is a registered charitable organisation offering care and accommodation across seven retirement villages, two residential aged care facilities, respite and home care services in Western Australia. Upon completion of the merger, Acacia Living Group will become a 100% owned subsidiary of the Company. The merger will occur for nil consideration and is expected to complete in October 2021. The financial impact of the merger cannot be calculated until the date of completion.

On 4 September 2021 the Company entered into an agreement for the purchase of freehold land in Cleveland, Queensland for $2,450,000. The freehold land is intended to be held for development purposes.

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

The Board will consider these 2 publications, together with future developments and clarification of potential legislation changes, in their determination of the accounting treatment of bed licences for the year ending 30 June 2022. As a result, the accounting for bed licences as an indefinite life asset may change and result in accelerated amortisation of the carrying values to write these down to nil by 30 June 2024. The amortisation is a non cash item and would have no impact on the operations or cash flows of the business.

Other than the items described above, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that is expected to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes:
   a. comply with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations), Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) and the Trust Deeds of the Trust and the Scartwater Trust; and
   b. give a true and fair view of the Group's financial position as at 30 June 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 Group will be able to pay its debts as and when they become due and payable.

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

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 30 September 2021

Chairman's Declaration

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

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

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 30 September 2021

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

Opinion

We have audited the financial report of RSL Care RDNS Limited (the "Entity") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration. In addition, we have audited the Group's compliance with specific requirements of the *Charitable Fundraising Act 1991*.

In our opinion,

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

    (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements to the extent described in Notes, and Division 60 of the ACNC Act;

b) the financial report agrees to the underlying financial records of the Group, that have been maintained, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations for the year ended 30 June 2021; and

c) monies received by the Group as a result of fundraising appeals conducted during the year ended 30 June 2021, have been utilised for, and applied, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations.

We have obtained all the necessary information required in connection with our audit in respect of the financial year ended 30 June 2021.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report and Compliance with Specific Requirements of the Charitable Fundraising Act 1991* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

The directors of the Entity are responsible for compliance with the *Charitable Fundraising Act 1991* and the preparation of the financial report that gives a true and fair view, and have determined that the basis of preparation described in Notes to the financial report is appropriate to meet the requirements of the ACNC Act and the *Charitable Fundraising Act 1991* and the needs of the Board. The Director's responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error, and to enable compliance with the *Charitable Fundraising Act 1991*.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of non-compliance with the specific requirements of the *Charitable Fundraising Act 1991* and the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Vanessa de Waal
Partner
Chartered Accountants
Brisbane, 30 September 2021