Be true to you

RSL (QLD) War Veterans' Homes Trust

ABN 50 181 542 617

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**') present their report on the Trust, 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.

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.
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.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
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 Trust'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 Trust during the financial year have been the provision of accommodation, care and services to ex-service men and women, their dependants and other members of the community in need. There have been no significant changes in the nature of these activities during the financial year.

The Trust's short and long term objective is to carry on the principal activities of the Trust and apply the surplus generated from the conduct of those activities to pursue the charitable purpose of the Trust for the benefit of the Trust's beneficiaries.

The Trust measures its performance through a suite of key performance indicators and benchmarks set at the Governance, Executive Leadership Team and Organisational Management levels.

5. Review and results of operations

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

The Trust's Portfolio

The Trust operates residential care facilities in Queensland (21 facilities) and New South Wales (4 facilities). As at 30 June 2021, these facilities had 2,526 (2020: 2,529) operational places. The Trust 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 Trust provides services to more than 11,200 clients via its various community care programs.

COVID-19

The Trust 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 Trust to prevent any clients or residents contracting COVID-19 during the year. These enhanced protection measures however came at additional cost.

The Trust 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 Trust 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. Repeated lockdowns during the year, have impacted upon the ability for our At Home Support business to deliver non-essential services to clients, negatively affecting revenue.

The Trust was not entitled to receive any financial assistance for staff through the Federal Government's JobKeeper subsidy arrangements during the year.

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.

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

The Trusts' deficit for the year was $27,559,000 (2020: deficit of $57,518,000). The statutory deficit 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. Notwithstanding the net deficit, the Trust had net assets of $153,128,000 at 30 June 2021 (2020: $190,606,000).

The Trust's total assets increased by 5% 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 9%, mainly due to an increase in bank borrowings to fund the Trust's capital works program as described above. During the financial year an additional $89,541,000 of the Trust'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.

6. Significant changes in state of affairs

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

7. Going concern

The Statement of Financial Position discloses total current assets of $52,191,000 (2020: $41,415,000) and total current liabilities of $887,599,000 (2020: $888,361,000). This largely arises because retirement village resident loans and Refundable Accommodation Deposits (RADs), totalling $768,125,000 (2020: $772,013,000), 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 Trust 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 our 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, $128,051,000 (2020: $117,059,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $139,765,000 (2020: $126,286,000).

In addition, the Trustee 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 12.1% (2020: 11.8%) of the RADs liability of $330,617,000 (2020: $338,890,000) at balance date. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that the Trust 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 Trust will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

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 Trust 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 Trust provides services from a number of properties which it has developed over the years in Queensland and New South Wales. It is 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 Trust 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 Trust is dependent on government funding under the *Aged Care Act 1997 (C'th)* for the operation of its residential care facilities and community care packages and services.

11. Non-audit services

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

12. Events subsequent to reporting date

On 4 September 2021 the Trust 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 Trust, the results of those operations or the state of affairs of the Trust.

13. Contribution in winding up

The Deed of Trust does not require any contribution in the event the Trust is wound 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 9 and forms part of this Directors' Report.

15. Rounding off of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of the Directors:

Mr Pat McIntosh AM CSC
Chairman
Brisbane, 30 September 2021

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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 (QLD) War Veterans' Homes Trust

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 the trustee of RSL (QLD) War Veterans' Homes Trust.

As lead audit partner for the audit of the financial statements of the RSL (QLD) War Veterans' Homes Trust 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

VMDeWaal

Vanessa de Waal
Partner
Chartered Accountants

Financial Statements

Notes to the Financial Statements

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	**325,898**	315,357
Other income	B1	**434**	92
Total revenue and other income		**326,332**	315,449
Employee benefits expense	B2	**(233,840)**	(225,696)
Occupancy expenses		**(22,446)**	(21,234)
Rates and taxes		**(5,101)**	(4,947)
Repairs, maintenance and replacements		**(11,588)**	(13,477)
Fair value decrement on retirement village assets	D3	**(992)**	(23,238)
Retirement village residents' share of fair value increment / decrement)		**2,246**	(3,273)
Depreciation and amortisation		**(31,134)**	(27,970)
Impairment		**-**	(6,066)
Finance costs	B2	**(8,309)**	(9,507)
Other expenses		**(42,727)**	(37,559)
Net total expenses		**(353,891)**	(372,967)
Deficit for the year attributable to RSL (QLD) War Veterans' Homes Trust		**(27,559)**	(57,518)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net (loss) / gain on revaluation of land and buildings	D2	**(9,919)**	7,280
Other comprehensive (deficit) / income for the year		**(9,919)**	7,280
Total comprehensive (deficit) / income for the year attributable to RSL (QLD) War Veterans' Homes Trust		**(37,478)**	(50,238)

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

Statement of Financial Position

As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	E1	**29,672**	21,111
Trade and other receivables	C1	**12,926**	10,662
Prepayments		**9,593**	8,042
Non-current assets held for sale	D1	**-**	1,600
Total current assets		**52,191**	41,415
Non-current assets			
Trade and other receivables	C1	**7,716**	8,240
Prepayments		**3,279**	2,222
Property, plant and equipment	D2	**466,996**	472,857
Right-of-use assets	E2	**55,691**	61,715
Retirement village assets	D3	**661,093**	600,075
Intangible assets	D4	**52,986**	55,464
Total non-current assets		**1,247,761**	1,200,573
Total assets		**1,299,952**	1,241,988
Current liabilities			
Trade and other payables	C2	**49,931**	49,063
Provisions	C3	**47,937**	42,293
Unearned revenue	C4	**15,941**	16,873
Lease liabilities	E2	**4,749**	7,091
Interest-bearing liabilities	E3	**500**	500
Other financial liabilities	E4	**768,541**	772,541
Total current liabilities		**887,599**	888,361
Non-current liabilities			
Trade and other payables	C2	**38,505**	28,425
Provisions	C3	**6,053**	6,203
Lease liabilities	E2	**55,698**	58,465
Interest-bearing liabilities	E3	**158,969**	69,928
Total non-current liabilities		**259,225**	163,021
Total liabilities		**1,146,824**	1,051,382
Net assets		**153,128**	190,606
Equity			
Reserves	E6	**110,885**	120,804
Accumulated surplus		**42,243**	69,802
Total equity		**153,128**	190,606

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Asset revaluation reserve $'000	Accumulated surplus $'000	Total equity $'000
Balance at 30 June 2019	**113,524**	**127,320**	**240,844**
Comprehensive income / (deficit) for the year			
Increment in value of freehold land and buildings	7,280	-	7,280
Deficit for the year	-	(57,518)	(57,518)
Total comprehensive income / (deficit) for the year	**7,280**	**(57,518)**	**(50,238)**
Balance at 30 June 2020	**120,804**	**69,802**	**190,606**
Comprehensive income / (deficit) for the year			
Decrement in value of freehold land and buildings	(9,919)	-	(9,919)
Deficit for the year	-	(27,559)	(27,559)
Total comprehensive income / (deficit) for the year	**(9,919)**	**(27,559)**	**(37,478)**
Balance at 30 June 2021	**110,885**	**42,243**	**153,128**

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

Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers, residents and subsidies		**322,677**	321,579
Payments to suppliers and employees		**(333,060)**	(315,019)
Net GST received		**6,300**	3,495
Donations and grants received		**48**	33
Net cash (used in) / from operating activities	F4	**(4,035)**	10,088
Cash flows from investing activities			
Payments for property, plant and equipment		**(42,491)**	(69,496)
Payments for retirement village assets		**(46,282)**	(6,290)
Payments for intangible assets		**-**	(520)
Proceeds from managed trust		**1,216**	673
Proceeds from sale of property, plant and equipment		**1,555**	139
Net cash used in investing activities		**(86,002)**	(75,494)
Cash flows from financing activities			
Proceeds from resident loans		**46,356**	29,259
Proceeds from refundable accommodation deposits		**93,409**	97,027
Payments for resident loans		**(27,340)**	(28,896)
Payments for refundable accommodation deposits		**(100,711)**	(88,163)
Proceeds from related parties		**11,187**	21,593
Repayment of loans		**(500)**	(500)
Repayment of leases		**(6,422)**	(5,127)
Payments for rental bonds		**(9)**	(12)
Drawdown from interest-bearing loans and borrowings		**89,541**	45,943
Finance income		**314**	328
Finance costs		**(7,227)**	(7,044)
Net cash from financing activities		**98,598**	64,408
Net increase / (decrease) in cash and cash equivalents		**8,561**	(998)
Cash and cash equivalents at the beginning of the year		**21,111**	22,109
Cash and cash equivalents at the end of the year	E1	**29,672**	21,111

The above 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 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, the *Australian Charities and Not-for-profits Commission Act 2012 (C'th)* and the Deed of Trust.
- 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 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 Trust and effective for reporting periods beginning on or after 1 July 2020.

A1. Significant judgements and estimates

In the process of applying the Trust'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
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

A2. 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) New and amended standards adopted by the Trust

Amendments to AASBs that are mandatorily effective for the current year

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

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

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

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

This Standard amends AASB 3 *Business Combinations*. The Trust 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 Trust has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

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

A3. 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 Trust. 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 Trust.
- It helps to explain the impact of significant changes in the Trust's operations
- It relates to an aspect of the Trust's operations that is important to its future performance.

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 Trust.

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

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

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

A4. Key events and transactions for the reporting period

(a) Impact of COVID-19

The Trust 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 Trust'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 Trust 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 Trust's secured debt facility (note E3(a)(ii) and is recorded in Property, Plant and Equipment at its fair value.

(c) Construction of Europa on Alma retirement village

During the year, the Trust 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 Trust's secured debt facility (note E3(a)(ii) and is recorded as Work in Progress in Retirement Village Assets, at its fair value at 30 June 2021 (note D3).

A5. Going concern

The Statement of Financial Position discloses total current assets of $52,191,000 (2020: $41,415,000) and total current liabilities of $887,599,000 (2020: $888,361,000). This largely arises because retirement village resident loans and Refundable Accommodation Deposits (RADs), totalling $768,125,000 (2020: $772,013,000), 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 Trust 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 our 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, $128,051,000 (2020: $117,059,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $139,765,000 (2020: $126,286,000).

In addition, the Trustee 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 12.1% (2020: 11.8%) of the RADs liability of $330,617,000 (2020: $338,890,000) at balance date. Liquidity is monitored and cash flow forecasts are prepared on at least a monthly basis to ensure that the Trust 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 Trust will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

B. Results for the year

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

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

(i) Customer and Client Fees

Residential Care and At Home Support

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

Government grants are not recognised until there is reasonable assurance that the Trust 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 Trust 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 Trust 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 Trust 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 Trust is recognised in accordance with the accounting policies above.

(iv) Donations

Donations and bequests are recognised 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 E5.

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

	2021 $'000	2020 $'000
Customer and client fees	**77,694**	76,198
Deferred management fees	**12,450**	13,020
Government revenue	**208,134**	206,094
Donations	**13**	33
Finance income	**314**	328
Other revenue	**26,792**	17,457
Imputed revenue on RAD and bond balances	**501**	2,227
	325,898	315,357

B1. Revenue and other income (continued)

(b) 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	**434**	92

B2. Expenses

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

		2021 $'000	2020 $'000
Employee benefit expenses			
Salaries and wages		**176,428**	172,663
Superannuation		**17,193**	17,205
Employee benefit provision expense		**18,637**	16,692
Employee insurance provision		**2,272**	349
Agency, contractors and other employee benefits expense		**19,310**	18,787
		233,840	225,696
Depreciation and amortisation			
Property, plant and equipment	D2	**22,044**	18,960
Intangible assets	D4	**2,532**	3,081
Right-of-use assets	E2	**6,558**	5,929
		31,134	27,970
Finance costs			
Interest and finance charges		**7,808**	7,280
Imputed interest cost on RAD and accommodation bond balances		**501**	2,227
		8,309	9,507
Bad debts expense			
Bad debts expense		**189**	322
Loss on disposal of assets			
Loss on disposal of assets		**554**	98
Amounts relating to leases			
Depreciation expense on right-of-use assets	E2	**6,558**	5,928
Interest expense on lease liabilities		**2,478**	2,620
		9,036	8,548

B3. Income tax

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

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 Trust. Working capital includes the assets and liabilities that are used in the day-to-day operations of the Trust.

C1. Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	**9,024**	6,974
Allowance for impairment	**(991)**	(861)
Net trade receivables	**8,033**	6,113
Sundry receivables	**4,842**	4,433
Loans receivable	**-**	65
Security deposits	**51**	51
	12,926	10,662
Non-current		
Loans receivable	**7,716**	8,240

(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 E5). As at 30 June 2021 an amount of $2,124,000 (2020: $1,771,000) 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	**861**	586
Amounts written off (uncollectable)	**(59)**	(47)
Impairment loss	**189**	322
	991	861

C1. Trade and other receivables (continued)

(c) Loans receivable

	Note	2021 $'000	2020 $'000
Non-current			
Altura Learning Group Holdings Pty Ltd	(i)	**2,459**	5,897
RDNS Homecare Limited	(i)	**5,257**	2,343
		7,716	8,240

(i) During the year ended 30 June 2021 the Trust continued to provide non-current working capital and loan funding to related entities. These loans are interest bearing at the relevant reference rate plus margin.

C2. Trade and other payables

(a) Trade payables

These amounts represent liabilities for goods and services provided to the Trust 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		**13,892**	18,493
Accrued expenses		**15,011**	8,513
Rental bonds		**70**	80
Maintenance reserve fund / capital works fund	E1	**8,227**	8,078
Other payables	(i)	**12,731**	13,899
		49,931	49,063

(i) Other payables include working capital loan funding owing to related entities.

	Note	2021 $'000	2020 $'000
Other payables			
Scartwater (Aged Care) Trust		**2,916**	1,700
Your Choice Home Care		**518**	-
		3,434	1,700

C2. Trade and other payables (continued)

(b) Loans payable

	Note	2021 $'000	2020 $'000
Non-current			
Royal District Nursing Service Limited	(i)	**38,505**	28,425

(i) During the year ended 30 June 2021 the Trust continued to receive non-current working capital and loan funding from related entities. These loans are interest bearing at the relevant reference rate plus margin.

C3. Provisions

Provisions are recognised when the Trust 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 Trust 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 Trust 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.

(b) Self-insurance provision

Along with two other aged care providers, the Trustee 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 Trustee self-insures for Workers Compensation for its employees located in Queensland and accepts the risks previously insured via WorkCover Queensland. In return the Trustee 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)	**47,371**	41,625
Self-insurance – workplace injury	(b)	**566**	668
		47,937	42,293
Non-current			
Employee benefits	(a)	**4,748**	4,846
Self-insurance – workplace injury	(b)	**1,305**	1,357
		6,053	6,203

(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	**2,025**	2,408
Provisions made	**1,501**	952
Amounts used	**(1,655)**	(1,335)
Balance at the end of the year	**1,871**	2,025

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	**3,779**	1,225
Government funding	**12,162**	15,648
	15,941	16,873

D. Tangible and intangible assets

This section sets out the non-current tangible and intangible assets used by the Trust to generate revenues and the methods the Trust 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	-	1,600

The sale of the freehold land (Bradman Street, Acacia Ridge, Queensland) was settled on 12 May 2021.

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 Trust'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 Trust 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 Trust to ensure it is not in excess of the recoverable amount of these assets.

D2. Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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	162,360	210,287	25,672	10,846	3,919	59,773	**472,857**
Additions	9,185	276	4,612	2,361	644	25,413	**42,491**
Transfers (i)	(9,400)	58,048	5,053	2,015	-	(71,710)	**(15,994)**
Disposals	-	(244)	(2)	(95)	(54)	-	**(395)**
Revaluation increment / (decrement)	11,345	(21,264)	-	-	-	-	**(9,919)**
Depreciation	-	(10,378)	(4,718)	(5,812)	(1,136)	-	**(22,044)**
Closing net book amount	**173,490**	**236,725**	**30,617**	**9,315**	**3,373**	**13,476**	**466,996**
Cost / valuation	173,490	296,630	67,254	41,013	11,889	13,476	**603,752**
Accumulated depreciation	-	(59,905)	(36,637)	(31,698)	(8,516)	-	**(136,756)**
Net book amount	**173,490**	**236,725**	**30,617**	**9,315**	**3,373**	**13,476**	**466,996**

(i) There has been a net decrement of $15,994,000 due to transfers to retirement village assets and intangible assets.

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	160,283	209,461	39,637	21,773	6,473	4,638	20,703	**462,968**
Transferred to right-of-use assets	-	-	(39,637)	-	(891)	-	-	**(40,528)**
Additions	-	453	-	3,189	4,581	425	60,848	**69,496**
Transfers	300	4,110	-	4,826	5,294	-	(21,778)	**(7,248)**
Disposals	-	-	-	(151)	-	-	-	**(151)**
Revaluation increment	1,777	5,503	-	-	-	-	-	**7,280**
Depreciation	-	(9,240)	-	(3,965)	(4,611)	(1,144)	-	**(18,960)**
Closing net book amount	**162,360**	**210,287**	**-**	**25,672**	**10,846**	**3,919**	**59,773**	**472,857**
Cost / valuation	162,360	213,595	-	57,617	36,936	11,760	59,773	**542,041**
Accumulated depreciation	-	(3,308)	-	(31,945)	(26,090)	(7,841)	-	**(69,184)**
Net book amount	**162,360**	**210,287**	**-**	**25,672**	**10,846**	**3,919**	**59,773**	**472,857**

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 Trust'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 Trust 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 Trust carries its retirement village assets at fair value, with changes in fair value being recognised profit or loss. The Trust 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 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 Trust's Retirement Village assets at 30 June 2021:

a. The Trust 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**	3,922
Fair value adjustments	**(992)**	(23,238)
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 if any). 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 Trust'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 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 Trust's software assets have useful lives between three and eight years.

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

(iii) Residential care bed licences

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.

D4. Intangible assets (continued)

(iii) Residential care bed licences (continued)

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 Trust 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) 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.

	Goodwill $'000	Software $'000	Residential care bed licences $'000	Total $'000
2021				
Opening net book amount	46,358	6,916	2,190	**55,464**
Transfers from WIP	-	266	-	**266**
Disposals	-	(212)	-	**(212)**
Amortisation	-	(2,532)	-	**(2,532)**
Closing net book amount	**46,358**	**4,438**	**2,190**	**52,986**
Cost	62,224	23,763	2,190	**88,177**
Accumulated amortisation and impairment	(15,866)	(19,325)	-	**(35,191)**
Net book amount	**46,358**	**4,438**	**2,190**	**52,986**
2020				
Opening net book amount	52,424	7,126	2,190	**61,740**
Transferred to right-of-use assets	-	(1,281)	-	**(1,281)**
Additions	-	519	-	**519**
Transfers from WIP	-	3,633	-	**3,633**
Impairment	(6,066)	-	-	**(6,066)**
Amortisation	-	(3,081)	-	**(3,081)**
Closing net book amount	**46,358**	**6,916**	**2,190**	**55,464**
Cost	62,224	25,163	2,190	**89,577**
Accumulated amortisation and impairment	(15,866)	(18,247)	-	**(34,113)**
Net book amount	**46,358**	**6,916**	**2,190**	**55,464**

E. Capital structure and financing

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

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		**8,866**	5,456
Short-term deposits		**86**	86
Trust account		**69**	66
Secure capital replacement fund	(c)	**10,509**	6,998
Maintenance reserve fund / capital works fund	(d)	**10,142**	8,505
Cash and cash equivalents in the Statement of Cash Flows		**29,672**	21,111

(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	**20,720**	15,569

(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 Trust, 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 Trust 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 Trust'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 Statement of Financial Position.

E2. Right-of-use assets and lease liabilities

The Trust 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 Trust 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 Trust 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 Trust 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 statement of financial position.

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

The Trust 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 Trust 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 Trust 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.

E2. Right-of-use assets and lease liabilities (continued)

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 Trust 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 statement of financial position.

The Trust 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 Trust has not used this practical expedient. For a contract that contains a lease component and one or more additional non-lease components, the Trust 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 Trust leases several assets including residential care facilities, office buildings 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 5 years.

The total cash outflow for leases amounted to $8,320,000 (2020: $7,120,000).

E2. Right-of-use assets and lease liabilities (continued)

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

	Note	Right-of-use assets Buildings $'000	Equipment $'000	Software $'000	Total $'000	Lease liabilities $'000
2021						
Opening net book amount		56,437	4,527	751	**61,715**	**65,556**
Additions		389	374	-	**763**	**763**
Disposals		(229)	-	-	**(229)**	**(229)**
Depreciation		(4,395)	(1,633)	(530)	**(6,558)**	**-**
Interest expense		-	-	-	**-**	**(609)**
Lease payment		-	-	-	**-**	**(5,034)**
Closing net book amount		**52,202**	**3,268**	**221**	**55,691**	**60,447**
Cost		67,364	6,113	1,590	**75,067**	**-**
Accumulated depreciation		(15,162)	(2,845)	(1,369)	**(19,376)**	**-**
Net book amount		**52,202**	**3,268**	**221**	**55,691**	**-**
2020						
Opening net book amount		-	-	-	**-**	**43,540**
Adoption of AASB 16 *Leases*	D2/D4	39,637	891	1,281	**41,809**	**18,060**
Additions		21,202	4,633	-	**25,835**	**9,438**
Depreciation		(4,402)	(997)	(530)	**(5,929)**	**-**
Interest expense		-	-	-	**-**	**(375)**
Lease payment		-	-	-	**-**	**(5,107)**
Closing net book amount		**56,437**	**4,527**	**751**	**61,715**	**65,556**
Cost		67,631	5,739	1,590	**74,960**	**-**
Accumulated depreciation		(11,194)	(1,212)	(839)	**(13,245)**	**-**
Net book amount		**56,437**	**4,527**	**751**	**61,715**	**-**

E2. Right-of-use assets and lease liabilities (continued)

(b) Concessionary Leases

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

E3. 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 Trust 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 Trust 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 Trust 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 (a related party of the Trust). 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 E4(b)). At 30 June 2021, the Trust 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

E4. Other financial liabilities

		2021 $'000	2020 $'000
Retirement village entry contributions	(a)	**437,508**	433,123
Refundable accommodation deposits	(b)	**330,617**	338,890
Other loans	(c)	**416**	528
		768,541	772,541

(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 Trust 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 aged 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. A combination of cash and committed borrowing facilities is used to meet these liquidity requirements (refer note E3(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.

E4. Other financial liabilities (continued)

(c) Other loans

Other loans represent amounts received into the Trust's "non-deeming" fund on an interest-free basis from supporters of the Trust'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.

E5. 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 Trust 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	E2
Loans (Interest-bearing liabilities)	E3
Trade and other payables	C2
Other financial liabilities	E4

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Trust 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).

(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.

E5. Financial instruments (continued)

(ii) Measurement bases (continued)

Amortised cost using the effective interest rate method (continued)

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

(iv) Impairment of financial assets

The Trust recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments, lease receivables, and trade receivables. 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 Trust 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 Trust’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

E5. Financial instruments (continued)

(iv) Impairment of financial assets (continued)

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

(v) Offsetting

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

(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	**29,672**	21,111
Trade and other receivables	C1	**12,926**	10,662
		42,598	31,773
Non-current			
Trade and other receivables (loans receivable)	C1	**7,716**	8,240
		7,716	8,240
Total financial assets		**50,314**	40,013
Financial liabilities measured at amortised cost			
Current			
Trade and other payables	C2	**49,931**	49,063
Lease liabilities		**4,749**	7,091
Interest-bearing liabilities	E3	**500**	500
Other financial liabilities	E4	**768,541**	772,541
		823,721	829,195
Non-current			
Lease liabilities		**55,698**	58,465
Interest-bearing liabilities	E3	**158,969**	69,928
		214,667	128,393
Total financial liabilities		**1,038,388**	957,588

E6. 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.

E7. Trust corpus

The Trust was established by a Deed of Trust dated 13 December 1983 between the Returned Services League Queensland Branch as the Settlor and the Company as the Trustee. The Settlor paid an original endowment of $25 to the Company to establish the Trust. This initial trust corpus is not shown in the financial statements as all figures have been rounded to the nearest thousand dollars.

F. Other items

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

F1. Commitments

Capital commitments

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

F2. 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 Trust or a present obligation arising from past events that is not probable or cannot be measured reliably. Contingent liabilities are not recognised.

The Trust has provided bank guarantees to third parties as guarantees of self-insurance liabilities 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 $4,359,111 (2020: $4,299,921).

F3. 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 Trust. Key management personnel compensation includes the following expenses recognised during the reporting period:

	2021 **$**	2020 $
Total compensation – Directors	**262,917**	257,434
Total compensation – Executives	**1,899,175**	2,653,850
Total compensation	**2,162,092**	2,911,284

F3. Related party transactions (continued)

(a) Key management personnel compensation (continued)

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 Trust 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 Trust provides. Such transactions are conducted at arm's length.

(b) Non-key management personnel disclosures

The immediate parent and ultimate controlling company of the Trust is RSL Care RDNS Limited, which is a related party of the Trust. There were no transactions between the Trust and RSL Care RDNS Limited during the year.

During the year, the Trust entered into the following trading transactions with related parties:

	2021 $	2020 $
Purchase of brokered services - RDNS Homecare Limited	**(3,496)**	(13,186)
Sale of brokered services - Royal District Nursing Service Limited	**24,746**	1,748
Purchase of services - Altura Learning Australia Pty Ltd	**(215,895)**	(249,176)
Salary and wages expense recharge - RDNS Homecare Limited	**(341,833)**	(719,428)
Salary and wages expense recharge - Royal District Nursing Service Limited	**12,712,262**	10,841,503
Net interest on loans - RDNS Homecare Limited	**102,614**	70,095
Net interest on loans - Royal District Nursing Service Limited	**(1,092,702)**	(902,931)
Net interest on loans - Altura Learning Group Holdings Pty Ltd	**48,919**	108,409

The working capital loan balances outstanding with related parties at the end of the year are disclosed in notes C1 and C2.

F4. Reconciliation of deficit to net cash inflow from operating activities

	2021 $'000	2020 $'000
Deficit for the financial year	**(27,558)**	(57,518)
Non-cash adjustments for:		
Depreciation of right-of-use-assets, property, plant and equipment	**28,602**	24,889
Amortisation of intangible assets	**2,532**	3,081
Impairment of intangible assets	**-**	6,066
Net loss on sale of assets	**120**	6
Accommodation bond retentions	**(3)**	4
Deferred management fees	**(12,450)**	(13,020)
Net (gain) / loss on retirement village assets	**(1,255)**	26,511
	(10,012)	(9,981)
Non-operating item adjustments for:		
Finance costs	**7,227**	7,044
Finance income	**(314)**	(328)
	(3,099)	(3,265)
Changes in operating assets and liabilities:		
Decrease in trade and other receivables	**(3,324)**	(141)
Increase in prepayments	**(2,608)**	(1,945)
Increase in trade and other payables	**370**	9,119
Increase in provisions	**5,494**	82
(Decrease) / Increase in unearned revenue	**(868)**	6,903
Decrease in other liabilities	**-**	(665)
Net cash (used in) / from operating activities	**(4,035)**	10,088

F5. Economic dependency

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

F6. Events subsequent to reporting date

On 4 September 2021 the Trust 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 affect the operations of the Trust, the results of those operations or the state of affairs of the Trust significantly.

Directors' Declaration

The Directors of the Trustee declare that:

1. The Financial Statements and Notes:

   a. comply with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations), Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) and the Trust Deed; and
   b. give a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

Mr Pat McIntosh AM CSC
Chairman

Brisbane, 30 September 2021

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Independent Auditor's Report to the Board of RSL Care RDNS Limited, as the trustee of RSL (QLD) War Veterans' Homes Trust

Opinion

We have audited the financial report of RSL (QLD) War Veterans' Homes Trust (the "Entity"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

a) giving a true and fair view of the Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, and Division 60 the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the directors' report, 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 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.

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Entity'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 intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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 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.

- 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 Entity'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 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 Entity'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 Entity 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.

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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