RSL (QLD) War Veterans' Homes Trust

ABN 50 181 542 617

General Purpose Financial Report for the year ended 30 June 2023

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 2023 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.

These financial statements are prepared for the Trust in its standalone capacity. They are not consolidated accounts and do not include the assets, liabilities or results of operations of the Trust's subsidiaries. They represent the operations of the Trust as an approved provider of residential aged care and home and community care, and the owner / operator of retirement villages. The Directors have considered the needs of the users of these financial statements and have determined that the operations of the Trust in its stand alone capacity represent a reporting entity for the current and prior year.

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 his service, 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 the Chair of the for-profit business Altura Learning and the Chair of not-for-profit provider Royal District Nursing Services New Zealand. He is also on the Board of the Southern Cross Credit Union.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Mr Jeffrey McDermid B Econ, FAICD, FCA	Chair, Risk and Audit Committee Member, Capital 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 board roles extend across a wide range of sectors including property development, human resources, private education, 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. Mr McDermid is also 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 commercial and strategic thinking.
Mr Robert Lourey B.Bus, GAICD	Chair, Nomination and Remuneration Committee Member, Clinical and Care Governance Committee	Mr Lourey has extensive listed company senior executive experience. He has served 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. Mr Lourey is a Director of Altura Learning. Mr Lourey is a former Chair of Access EAP and a former member of the Boards of KU Children's Services, Michael Page plc and Afrox and Afrox Healthcare (RSA), as well as a former member of the Advisory Board of 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 and managing complex property portfolios, gained through his role as the Chief of Developments and Capital Planning at Southern Cross Care Queensland and in former similar roles at Yourtown and with the Catholic Archdiocese. Mr Lummis has extensive experience in both large publicly listed groups and not-for-profit organisations. He is also a member of the Property Council of Australia's Social Infrastructure Committee, Deputy Chair of the Heritage Council of Queensland and a Director of Brisbane Markets Limited, Deaf Connect, National Trust (Australia) Queensland and Nazareth Care Australasia. He is the Chair of the Property Advisory Committee and a member of the Stewardship Commission for the Sisters of Saint Joseph and the Catholic Education Commission Capital Assessment Committee.

2. Directors (continued)

(a) Qualifications and experience (continued)

Director	Committee Membership	Experience
Dr Cherrell Hirst AO FTSE, MBBS, BEdSt, D.Univ (Honorary), FAICD (Life)	Member, Clinical and Care Governance Committee Member, Risk and Audit Committee	Dr Hirst is a member of the Board of the John Villiers Trust and is a Director of Altura Learning Group Holdings and its subsidiaries. Dr Hirst has formerly held Board membership of a number of organisations including Medibank Limited, Gold Coast Hospital and Health Service, Suncorp Metway Limited, Peplin Limited, Avant Group (including Avant Insurance Ltd), ImpediMed Limited and Factor Therapeutics Limited. She was Chancellor of Queensland University of Technology from 1994 to 2004 and chaired the Advisory Board of the Institute of Molecular Biosciences at the University of Queensland from 2014 to 2021.
Associate Professor Bev Rowbotham MBBS (Hons 1), MD, FRACP, FRACPA, FAICD	Chair, Clinical and Care Governance Committee Member, Nomination and Remuneration Committee	Dr Rowbotham is a medical specialist and non-executive company director with a career-long focus on client safety and wellbeing in the healthcare, disability and aged care sectors. Associate Professor Rowbotham chairs the Federal Government's National Pathology Accreditation Advisory Council and Avant Mutual Group, Australia's largest medical indemnity insurance provider. She is also a Director of the private health insurer, Doctors Health Fund
Mr Anthony Crawford BA, LLB, FAICD Appointed 30 November 2022	Member, Nomination and Remuneration Committee Member, Capital Committee	Mr Crawford is an experienced board chair and non-executive director across a variety of sectors including not-for-profit, health, insurance, legal, sport and government. He had an extensive legal career over 30 years at national law firm DLA Phillips Fox including as the Chief Executive Officer and Chairman of the Board. Mr Crawford is currently the Chair of Queensland Country Health Fund, Heart Research Australia, the Energy and Water Ombudsman NSW and New South Wales Rugby Union Limited. Mr Crawford has previously been a member of the boards of HBF Health Limited, Konekt Limited (a workplace occupational health risk, rehabilitation and training provider), Grant Thornton Australia and Thrifty Western Australia and the President of the Northern Suburbs Rugby Football Club.

2. Directors (continued)

(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	12	12	-	-	-	-	-	-	-	-
R. Lourey	12	11	1	1	-	-	4	4	2	2
J. McDermid	12	12	4	4	6	6	2	2	2	2
S. Lummis	12	12	4	4	6	6	-	-	-	-
C. Hirst	12	12	-	-	6	6	-	-	4	4
B. Rowbotham	12	11	-	-	2	2	4	4	4	4
T. Crawford	8	8	3	3	-	-	2	2	-	-

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

3. Company Secretary

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

4. Principal Activities and Objectives

The principal activities of the 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 Trust's Portfolio

The Trust operates residential care facilities in Queensland (23 facilities), New South Wales (18 facilities), Victoria (16 facilities) and South Australia (11 facilities). As at 30 June 2023, these facilities had 6,420 (2022: 2,515) operational places. The Trust also operates 29 retirement villages in Queensland (21 villages), New South Wales (5 villages), Victoria (2 village) and South Australia (1 village), with a total of 2,273 (2022: 2,018) units at 30 June 2023. 24 of the retirement villages are co-located with a residential care facility.

Additionally, the Trust provides services to more than 9,000 clients via various community care programs.

COVID-19

The Trust continues to adopt a disciplined and managed program of protective and preventative measures in accordance with local health authorities' and its own risk assessments. The impact of COVID-19 on the sector reduced in the early part of the financial year, in line with the reduced impact in the wider community and reduced Public Health settings.

The ”Fourth Wave”, which escalated in the community during November 2022 and into January 2023, resulted in a partial reversal of this decline, which was repeated during the "Fifth Wave" in May and June 2023. Nevertheless, the high level of vaccination rates and the effectiveness of anti-viral medication has seen shortened periods of infection and lower levels of impact on the health of residents and staff compared to prior periods.

Approved Providers are able to apply for Government grants to recover some of the costs associated with COVID-19 outbreaks. These grants do not cover preventative measures taken by the Trust outside of outbreak periods in specific homes. The period covered by grant schemes has been extended on multiple occasions, including a new scheme covering costs up to 31 December 2023.

As referenced in the Trust's 2022 General Purpose Finance Report, delays continue in the Government's processing of grant applications across the whole aged care sector, including those of the Trust. These delays resulted in grants relating to FY22 costs being received in FY23 with the potential to distort the view of the financial performance of the Trust between the two years. Since 31 December 2022, the Government has invested additional resources in processing more than 11,000 claims made across the sector, which has resulted in an increase in the amount and speed with which claims have been processed.

The Trust incurred $24,911,000 (2022: $7,504,000) in additional costs in managing COVID-19. $23,842,000 (2022: $2,097,000) of the costs have been offset by grants received under Federal COVID-19 Relief programs. As at 30 June 2023, the Trust had lodged an additional $10,883,000 of claims which, if confirmed, will be recorded as revenue in the next financial year. The Trust has experienced a low rejection rate of some elements of its claims, with more than 95% by value accepted, and no claim has been rejected entirely. The Directors are confident that a significant majority of its lodged claims will be received prior to 31 December 2023.

5. Review and results of operations (continued)

REFORM POST ROYAL COMMISION

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 Government's response has seen multiple reforms to the residential aged care sector, the majority of which have now been legislated, including changes to funding models, introducing the Independent Health and Aged Care Pricing Authority ("IHACPA"), removing capacity constraints on bed licences, mandating minimum care minutes and increased transparency, reporting and governance.

The most significant changes which have now been enacted which impact future financial performance relate to:

- Discontinuing the Aged Care Approvals Round and allocating residential care places to consumers as opposed to the current bed licence arrangements from July 2024.
- The replacement of the Aged Care Funding Instrument ("ACFI") with an alternative case-mix model (referred to as AN-ACC) in October 2022.
- The introduction of a publicly available 5 Star Rating system for all residential care homes from December 2022.
- The creation of IHACPA to provide cost and pricing advice and recommendations to the Government in relation to the funding of aged care services, with its first advice recently made to take effect from 1 July 2023.
- 24/7 attendance by a Registered Nurse in all residential care homes.
- Mandated minimum care minutes from 1 October 2023, increasing from 200 to 215 minutes per day from 1 October 2024.

In May 2023, the Government announced a significant increase in funding to take effect from 1 July 2023 based on IHACPA's initial advice and recommendations which were published shortly afterwards. These increases followed the introduction of AN-ACC to replace ACFI in October 2022, with a significant uplift in funding to enable Approved Providers to finance the Work Value Case of the Fair Work Commission and contribute to minimum mandated care minutes, amongst other costs.

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

The Trust's EBITDA increased by 405%, from $9,623,000 to $48,608,000. However, rising interest rates during the year saw finance costs increase by $74,381,000. This was the main factor in the Trust incurring a deficit of $61,614,000 (2022: deficit of $36,953,000) for the year.

5. Review and results of operations (continued)

	2023 $'000	2022 $'000
Total operating revenue	**614,410**	348,490
Operating expenditure		
Employee benefits expense	**(415,291)**	(237,704)
Occupancy expenses	**(43,380)**	(22,520)
Repairs, maintenance and replacements	**(18,533)**	(11,344)
Rates and taxes	**(7,576)**	(5,630)
Information technology expenses	**(21,489)**	(17,677)
Other expenses	**(40,490)**	(27,392)
Net operating expenses	**(546,759)**	(322,267)
Operating EBITDA	**67,651**	26,223
Non-operating income		
Surplus on disposal of assets	**198**	289
COVID-19 subsidy income	**23,842**	2,097
Fair value increment on retirement village assets	**10,207**	15,951
Non-operating expenses		
Retirement village residents' share of fair value decrement	**(10,135)**	(9,037)
Due diligence and acquisition costs	**(3,200)**	(14,085)
Acquisition integration costs	**(15,032)**	(4,311)
COVID-19 expenses	**(24,911)**	(7,504)
Total EBITDA	**48,620**	9,623
Depreciation and amortisation	**(53,155)**	(30,971)
Finance costs	**(92,708)**	(18,327)
Finance income	**35,629**	2,722
Deficit for the year before income tax	**(61,614)**	(36,953)

6. Significant changes in state of affairs

On 1 December 2022, the Trust acquired the assets and liabilities of Australian Aged Care Partners Holdings Pty Ltd (trading as Allity). Allity is a wholly owned subsidiary that operated 43 residential aged care facilities and three retirement villages throughout Queensland, New South Wales, Victoria and South Australia. There has been no other significant change in the Trust's state of affairs or the Trust's operations during the financial year.

7. Going concern

This financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Statement of Financial Position discloses total current assets of $215,807,000 (2022: $91,720,000) and total current liabilities of $2,785,721,000 (2022: $963,378,000). This largely arises because retirement village resident loans and Refundable Accommodation Deposits (RADs), totalling $1,852,726,000 (2022: $812,054,000), 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, $287,376,000 (2022: $119,930,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $407,504,000 (2020: $168,935,000).

In addition, the Trustee has a liquidity management strategy in place that requires available liquidity to be equal to or in excess of 5% (2022: 6%) 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 $70,000,000 (2022: $25,000,000). This is 5.2% (2022: 7.4%) of the RADs liability of $1,332,610,000 (2022: $338,941,000) 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.

The Trust has syndicated financing facilities, of which $143,000,000 (2022: $198,971,000) remains undrawn at 30 June 2023. This debt facility can be drawn down to repay RADs and resident loans should the Trust experience significant RAD or resident loan net outflows.

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, New South Wales, Victoria and South Australia. 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

Non-audit services of $66,000 (2022: $41,000) were provided by the Trust's auditor during the financial year for consulting on the Trust's Environmental, Social and Governance strategy.

12. Events subsequent to reporting date

On 27 September 2023, a wholly owned subsidiary declared a fully franked dividend of $451,395,000, payable to the Trust. As the Trust is exempt from income tax in accordance with the *Income Tax Assessment Act 1997* (C'th), it is expected the Trust will be entitled to a franking credit refund of $193,455,000, to be recognised during the year ended 30 June 2024.

Other than the matters noted above, in the opinion of the Directors, 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 2023, the total amount that members of the Company were liable to contribute if the Company was wound up was $240 (2022: $270).

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 12.

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, 28 September 2023

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The Board of Directors
RSL Care RDNS Limited as trustee of the RSL (Qld) War Veterans' Homes Trust
Level 3, 44 Musk Avenue
Kelvin Grove
Qld 4059

28 September 2023

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 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Vanessa de Waal
Partner
Chartered Accountants

Financial Statements

Notes to the Financial Statements

Signed Reports

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	**2023 $'000**	2022 $'000
Revenue and other income			
Revenue from continuing operations	B1	**673,881**	353,310
Other income	B1	**198**	289
Fair value increment on retirement village assets	D2	**10,207**	15,951
Total revenue and other income		**684,286**	369,550
Employee benefits expense	B2	**(446,943)**	(243,502)
Occupancy expenses		**(45,118)**	(26,413)
Repairs, maintenance and replacements		**(18,533)**	(11,345)
Rates and taxes		**(7,576)**	(5,630)
Depreciation and amortisation	B2	**(53,155)**	(30,998)
Information technology expenses		**(22,498)**	(18,790)
Retirement village residents' share of fair value decrement		**(10,135)**	(9,037)
Due diligence and acquisition costs		**(3,200)**	(14,085)
Finance costs	B2	**(92,708)**	(19,318)
Other expenses		**(46,034)**	(27,385)
Total expenses		**(745,900)**	(406,503)
Deficit for the year attributable to RSL (QLD) War Veterans' Homes Trust		**(61,614)**	(36,953)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net (loss) / gain on revaluation of land and buildings	D1	**(10,620)**	21,387
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	E5	**6,375**	2,564
Other comprehensive (loss) / income for the year		**(4,245)**	23,951
Total comprehensive deficit for the year attributable to RSL (QLD) War Veterans' Homes Trust		**(65,859)**	(13,002)

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 2023

	Note	**2023 $'000**	2022 $'000
Current assets			
Cash and cash equivalents	E1	**87,585**	74,537
Trade and other receivables	C1	**121,126**	4,984
Prepayments		**5,257**	9,635
Derivative financial instruments	E5	**1,839**	2,564
Total current assets		**215,807**	91,720
Non-current assets			
Trade and other receivables	C1	**17,899**	149,059
Prepayments		**9,408**	13,306
Derivative financial instruments	E5	**7,100**	-
Property, plant and equipment	D1	**1,195,813**	509,019
Right-of-use assets	E2	**49,002**	52,091
Retirement village assets	D2	**761,210**	699,914
Intangible assets	D3	**946,839**	50,624
Investment in subsidiary		**601,465**	601,465
Total non-current assets		**3,588,736**	2,075,478
Total assets		**3,804,543**	2,167,198
Current liabilities			
Trade and other payables	C2	**787,333**	49,618
Provisions	C3	**98,434**	84,426
Unearned revenue	C4	**10,847**	10,880
Lease liabilities	E2	**6,381**	6,190
Interest-bearing liabilities	E3	**30,000**	83
Other financial liabilities	E4	**1,852,726**	812,181
Total current liabilities		**2,785,721**	963,378
Non-current liabilities			
Trade and other payables	C2	**208,746**	91,110
Provisions	C3	**13,746**	9,121
Lease liabilities	E2	**48,704**	52,434
Interest-bearing liabilities	E3	**865,829**	911,029
Total non-current liabilities		**1,137,025**	1,063,694
Total liabilities		**3,922,746**	2,027,072
Net assets / (liabilities)		**(118,203)**	140,126
Equity			
Reserves	E7	**(61,879)**	134,836
Accumulated (deficit)/surplus		**(56,324)**	5,290
Total equity		**(118,203)**	140,126

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 2023

	Restructure reserve $'000	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Accumulated surplus / (deficit) $'000	Total equity $'000
Balance at 30 June 2021	**-**	**-**	**110,885**	**42,243**	**153,128**
Comprehensive deficit for the year					
Fair value gains taken to equity	-	2,564	-	-	2,564
Increment in value of freehold land and buildings	-	-	21,387	-	21,387
Deficit for the year	-	-	-	(36,953)	(36,953)
Total comprehensive deficit for the year	**-**	**2,564**	**21,387**	**(36,953)**	**(13,002)**
Balance at 30 June 2022	**-**	**2,564**	**132,272**	**5,290**	**140,126**
Comprehensive deficit for the year					
Increment in value of freehold land and buildings	-	-	(10,620)	-	(10,620)
Fair value gains taken to equity	-	6,375	-	-	6,375
Deficit for the year	-	-	-	(61,614)	(61,614)
Total comprehensive deficit for the year	**-**	**6,375**	**(10,620)**	**(61,614)**	**(65,859)**
Other Reserves					
Effect of restructuring arrangement	(192,470)	-	-	-	(192,470)
Balance at 30 June 2023	**(192,470)**	**8,939**	**121,652**	**(56,324)**	**(118,203)**

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

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers, residents and subsidies		**638,628**	353,294
Payments to suppliers and employees		**(577,299)**	(380,031)
Net GST received		**15,565**	6,878
Donations and grants received		**32**	317
Net cash from / (used in) operating activities	F5	**76,926**	(19,542)
Cash flows from investing activities			
Payments for property, plant and equipment		**(53,614)**	(51,182)
Payments for retirement village assets		**(30,993)**	(16,164)
Payment for business acquisitions		**-**	(601,465)
Net cash acquired in restructure arrangement		**53,084**	-
Loans to related parties		**(72,990)**	(128,707)
Loans from related parties		**-**	28,370
Proceeds from managed trust		**1,459**	638
Proceeds from sale and leaseback transaction		**218,834**	-
Proceeds from sale of property, plant and equipment		**805**	1,133
Net cash from / (used) in investing activities		**116,585**	(767,377)
Cash flows from financing activities			
Proceeds from resident loans		**88,842**	66,969
Proceeds from refundable accommodation deposits		**318,662**	101,966
Payments for resident loans		**(37,223)**	(27,340)
Payments for refundable accommodation deposits		**(250,153)**	(92,590)
Proceeds from related parties		**-**	52,247
Repayment of leases		**(7,400)**	(4,749)
Payments for rental bonds		**-**	(13)
Drawdown from interest-bearing loans and borrowings		**93,473**	766,272
Repayment of interest-bearing loans and borrowings		**(329,585)**	(14,629)
Finance income		**5,593**	1,967
Finance costs		**(62,672)**	(18,316)
Net cash from / (used in) financing activities		**(180,463)**	831,784
Net increase in cash and cash equivalents		**13,048**	44,865
Cash and cash equivalents at the beginning of the year		**74,537**	29,672
Cash and cash equivalents at the end of the year	E1	**87,585**	74,537

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

A. About this report

A1. Basis of preparation and statement of compliance

RSL (QLD) War Veterans' Homes Trust ('**Trust**'), is a Trust domiciled in Australia and is a not-for profit entity for the purpose of preparing the financial statements. The address of the Trust's registered office and its principal place of business is Level 3, 44 Musk Avenue, Kelvin Grove, Queensland, Australia. The nature of the Trust's operations and its principal activities are to provide aged care services within Australia.

The Directors of the Trust has determined that it is a reporting entity for the purposes of this financial report which has been prepared to meet the Trust's reporting obligations under the *Aged Care Act 1997*. The composition of the reporting entity has been determined with reference to the information needs of the primary users of these financial statements. The Trust is considered to be an economic entity for reporting assets, comprising the assets, liabilities and results of operations of the Trust, in its stand-alone capacity as an approved provider of aged care.

These financial statements are prepared for the Trust in its standalone capacity. They are not consolidated accounts and do not include the assets, liabilities or results of operations of the Trust's subsidiaries. For clarity, these financial statements do not include the financial results of the McKenzie Aged Care Group. They represent the operations of the Trust as an approved provider of residential aged care and home and community care, and the owner / operator of retirement villages. The Directors have considered the needs of the users of these financial statements and have determined that the operations of the Trust in its stand alone capacity represent a reporting entity for the current and prior year. The parent entity of the Trust, RSL Care RDNS Limited, prepares consolidated financial statements which are lodged with the Australian Charities and Not-for-profits Commission ("ACNC") and are available on the ACNC website.

The financial statements are general purpose financial statements which:

- Are prepared for the individual operations of the Trust;
- Have been prepared in accordance with Australian Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012 (C'th)* and the Deed of Trust. The Trust has not prepared consolidated financial statements in accordance with the exemptions available under AASB1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities* and with reference to the consolidated financial statements of the ultimate parent entity as outlined above.
- Comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for Profit Tier 2 Entities* ("AASB 1060") and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures. The Trust does not have public accountability as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* and is therefore eligible to apply the "Tier 2" reporting framework under Australian Accounting Standards.
- 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/after 1 July 2022.

The financial statements were authorised for issue by the Directors on 28 September 2023.

A2. 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
Deferred management fees	B1
Employee benefits provisions	C3
Valuation of land and buildings	D1
Useful lives of property, plant and equipment	D1
Work in progress	D1
Valuation of retirement village assets	D2
Cash generating units and the allocation of goodwill	D3
Valuation and impairment of intangible assets – goodwill	D3
Value of financial liability relating to sale and leaseback transactions	E3

A3. Accounting policies

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

Amendments to AASBs that are mandatorily effective for the current year

The Trust has adopted all new and revised Standards and amendments thereof and Interpretations effective for the year that are relevant to the Trust.

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15.

The amendments listed above did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods.

A4. The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the 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.

A4. The notes to the financial statements (continued)

The notes are organised into the following sections and summarise the accounting policies, judgements and estimates relevant to understanding these line items:

B. Results for the year: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant.

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.

A5. Key events and transactions for the reporting period

(a) Restructuring Arrangement

On 1 December 2022, the Trust acquired the assets and liabilities of Australian Aged Care Partners Holdings Pty Ltd (trading as Allity). Allity is a wholly owned subsidiary that operated 43 residential aged care facilities and three retirement villages throughout Queensland, New South Wales, Victoria and South Australia. In addition to increased assets and liabilities, the transaction generated goodwill of $895,656,000 (note D3) and a restructure reserve of $192,470,000 (note F4).

(b) Sale and Leaseback

During the year, but prior to the Restructuring Arrangement described above, Allity entered into a transaction with a third party for the sale of nine aged care properties in South Australia and the leaseback of the properties for a term of 20 years with two options to extend, each for an additional period of 10 years. When the Restructuring Arrangement occurred on 1 December 2022, the lease was transferred to the Trust, as lessee. As a result of the application of AASB 15 *Revenue from Contracts with Customers* the Trust has concluded that the control of the homes did not pass to the third party. The Trust continues to recognise and measure the assets in property, plant and equipment in accordance with the group accounting policy (note D1). A financial liability has been recognised for the consideration received on sale of the properties (note E3).

A6. Going concern

This financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Statement of Financial Position discloses total current assets of $215,807,000 (2022: $91,720,000) and total current liabilities of $2,785,721,000 (2022: $963,378,000). This largely arises because retirement village resident loans and Refundable Accommodation Deposits (RADs), totalling $1,852,726,000 (2022: $812,054,000), 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.

A6. Going concern (continued)

As noted in the cash flows from financing activities, $287,376,000 (2022: $119,930,000) of resident loans and RADs were refunded during the year. These refunded loans were replaced by incoming contributions (including RADs) of $407,504,000 (2022: $168,935,000).

In addition, the Trustee has a liquidity management strategy in place that requires available liquidity to be equal to or in excess of 5% (2022: 6%) 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 $70,000,000 (2022: $25,000,000). This is 5.2% (2022: 7.4%) of the RADs liability of $1,332,610,000 (2022: $338,941,000) 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.

The Trust has syndicated financing facilities, of which $143,000,000 (2022: $198,971,000) remains undrawn at 30 June 2023. This debt facility can be drawn down to repay RADs and resident loans should the Trust experience significant RAD or resident loan net outflows.

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 or home care customer. 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.

B1. Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

(i) Customer and Client Fees (continued)

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.

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 otherwise the donation is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt.

(v) Finance income

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

B1. Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

(vi) Other revenue

Other revenue includes revenue received that is not separately disclosed elsewhere and is recognised based on the proportion of services delivered. Grant claims associated with COVID-19 are not recognised as income until such time as the Group has been issued with a formal confirmation letter from the Government for each claim.

(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.

	2023 $'000	2022 $'000
Customer and client fees	**150,003**	87,519
Deferred management fees	**15,033**	13,577
Government revenue	**426,603**	224,904
Donations	**32**	8
Finance income	**5,593**	1,967
Other revenue	**46,581**	24,580
Imputed revenue on RAD and bond balances	**30,036**	755
	673,881	353,310

The revenue amounts in the table above are recognised over time.

Significant judgement

Deferred management fees

Management judgement is applied in the calculation of the expected resident occupancy period over which the deferred management fees are recognised. This is calculated with reference to historical resident occupancy trends.

(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.

	2023 $'000	2022 $'000
Surplus on disposal of property, plant and equipment	**198**	289

B2. Expenses

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

	Note	2023 $'000	2022 $'000
Employee benefit expenses			
Salaries and wages		**316,967**	176,923
Superannuation		**32,831**	18,363
Employee benefit provision expense		**31,075**	17,350
Employee insurance provision		**8,002**	2,958
Agency, contractors and other employee benefits expense		**58,068**	27,908
		446,943	243,502
Depreciation and amortisation			
Property, plant and equipment	D1	**43,395**	22,950
Intangible assets	D3	**2,216**	2,141
Right-of-use assets	E2	**7,544**	5,907
		53,155	30,998
Finance costs			
Interest and finance charges		**62,672**	18,563
Imputed interest cost on RAD and accommodation bond balances		**30,036**	755
		92,708	19,318
Bad debts expense			
Bad debts expense		**2,134**	579
Loss on disposal of assets			
Loss on disposal of assets		**7**	469
Amounts relating to leases			
Depreciation expense on right-of-use assets	E2	**7,544**	5,907
Interest expense on right-of-use assets		**2,125**	-
Interest expense on sale & leaseback liabilities		**8,918**	2,326
		18,587	8,233

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

	Note	2023 $'000	2022 $'000
Current			
Trade receivables	(a)	**13,519**	3,405
Allowance for impairment	(b)	**(4,861)**	(1,270)
Net trade receivables		**8,658**	2,135
Sundry receivables		**7,470**	2,796
Loans receivable (related parties)		**104,788**	-
Security deposits		**210**	53
		121,126	4,984
Non-current			
Loans receivable (related parties)	(c)	**17,899**	149,059

(a) Trade receivables

The balance of refundable accommodation deposits receivable included in trade receivables at 30 June 2023 is nil (2022: $1,279,000).

(b) Allowance for impairment

Trade receivables are reviewed annually for impairment (refer to note E6). As at 30 June 2023 an amount of $7,151,000 (2022: $2,264,000) is outstanding greater than 30 days, excluding Refundable Accommodation Deposits receivable.

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

	2023 $'000	2022 $'000
Current		
Balance at 1 July	**1,270**	991
Restructuring arrangement	**1,733**	-
Amounts written off (uncollectable)	**(276)**	(300)
Impairment loss	**2,134**	579
	4,861	1,270

C1. Trade and other receivables (continued)

(c) Loans receivable (related parties)

	Note	2023 $'000	2022 $'000
Current			
McKenzie Aged Care Group Pty Ltd	(i)	**104,788**	-
Non-current			
Australian Aged Care Partners Holdings Pty Ltd	(i)	**-**	136,601
RDNS Homecare Limited	(i)	**9,654**	11,185
Altura Learning Group Holdings Pty Ltd	(i)	**47**	2
Acacia Living Group Limited	(i)	**8,198**	1,271
		17,899	149,059

(i) During the year ended 30 June 2023 the Trust continued to provide current and 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	2023 $'000	2022 $'000
Current unsecured liabilities			
Trade payables		**20,166**	18,792
Accrued expenses		**44,164**	14,376
Rental bonds		**58**	58
Maintenance reserve fund / capital works fund		**9,507**	8,597
Other payables	(i)	**713,438**	7,795
		787,333	49,618

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

C2. Trade and other payables (continued)

	2023 $'000	2022 $'000
Other payables		
Scartwater (Aged Care) Trust	**5,013**	3,553
Australian Aged Care Partners Holdings Pty Ltd	**698,637**	-
Your Choice Home Care	**-**	160
	703,650	3,713

(b) Loans payable (related parties)

	Note	2023 $'000	2022 $'000
Non-current			
Australian Aged Care Partners Holdings Pty Ltd		**110,262**	-
Royal District Nursing Service Limited	(i)	**98,484**	91,110
		208,746	91,110

(i) During the year ended 30 June 2023 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 provisions

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.

C3. Provisions (continued)

(a) Employee benefits (continued)

(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. Liabilities for annual leave are classified as current liabilities irrespective of the expected maturity as there is not a right to defer settlement.

(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	**2023 $'000**	2022 $'000
Current			
Employee benefits	(a)	**97,518**	83,368
Self-insurance – workplace injury	(b)	**916**	1,058
		98,434	84,426
Non-current			
Employee benefits	(a)	**12,063**	7,785
Self-insurance – workplace injury	(b)	**1,683**	1,336
		13,746	9,121

C3. Provisions (continued)

(c) Provision movements

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

Workplace injury	**2023 $'000**	2022 $'000
Balance at the beginning of the year	**2,394**	1,871
Provisions made	**1,098**	1,678
Amounts used	**(893)**	(1,155)
Balance at the end of the year	**2,599**	2,394

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 home care clients but for which the relevant client service has not yet been provided. The unearned revenue is recognised when the performance obligations are satisfied.

	2023 $'000	2022 $'000
Current		
Fees in advance	**2,907**	2,375
Government funding in advance	**7,940**	8,505
	10,847	10,880

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. 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.

(i) Land and buildings

Significant Judgement

Valuation of land and buildings
Freehold land and buildings are independently valued on a rotational basis, at least every three years. The resulting movement in property values has been taken to the Asset Revaluation Reserve. Those properties not independent valued have been subject to an internal assessment to ensure carrying amount does not differ materially to fair value.

Where an independent valuation was obtained, the independent valuer used the following methodology to determine fair value of the Trust's Residential Care assets at 30 June 2023:

a. Calculated the sustainable trading potential for each site (maintainable EBITDA) and capitalised at market assessed rates between 12.8% and 16.5% (2022: 9.7% 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.

For the year ended 30 June 2023 the Group's approach to property valuations was substantially consistent with prior years but with a reduced emphasis in relation to the impact of COVID-19 upon inputs relevant to the valuation for each property.

(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.

D1. 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%

Significant Judgement

Useful lives

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.

D1. Property, plant and equipment (continued)

(vi) Work in progress

Costs relating to the construction and refurbishment of aged care facilities are capitalised as work in progress. The initial capitalisation of costs is based on judgement that the project is expected to generate future economic benefits. Subsequent to determining the initial eligibility for capitalisation the Trust reassesses on a regular basis whether projects are still sufficiently probable of completion and expected to deliver desired economic benefits.

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.

(vii) Restructuring arrangement

On 1 December 2022, the Trust acquired the assets and liabilities of Australian Aged Care Partners Holdings Pty Limited ("Allity"), a wholly owned subsidiary.

(viii) Sale and leaseback – no loss of control

During the year, but prior to the restructuring arrangement described above, Allity entered into a transaction with a third party for the sale of nine aged care homes in South Australia and the leaseback of the homes for a term of 20 years with two options to extend, each for an additional period of 10 years. When the Restructuring Arrangement occurred on 1 December 2022, the leases were transferred to the Trust, as lessee. The leases include multiple option rights, including a call option, to repurchase the homes from the third party. When the restructuring arrangement occurred on 1 December 2022 (see note A5), the lease was transferred to the Trust, as lessee. As a result of the application of AASB 15 *Revenue from Contracts with Customers* the Trust has concluded that the control of the homes did not pass to the third party. The Trust continues to recognise and measure the homes in property, plant and equipment in accordance with the Trust accounting policy (note D1). A financial liability has been recognised for the consideration received on the sale of the properties (note E3).

D1. Property, plant and equipment (continued)

	Freehold land [ii] $'000	Buildings and leasehold improvements [ii] $'000	Plant and equipment $'000	Information Technology $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
2023							
Opening net book amount	187,448	247,764	28,787	14,190	3,125	27,705	**509,019**
Restructuring arrangement	274,360	343,764	55,155	3,439	822	14,435	**691,975**
Additions	-	1,733	2,531	10,138	625	38,587	**53,614**
Transfers [i]	398	14,029	4,844	611	-	(24,396)	**(4,514)**
Disposals	-	-	(3)	(187)	(76)	-	**(266)**
Revaluation (decrement) / increment	(11,037)	417	-	-	-	-	**(10,620)**
Depreciation	-	(22,339)	(10,917)	(9,132)	(1,007)	-	**(43,395)**
Closing net book amount	**451,169**	**585,368**	**80,397**	**19,059**	**3,489**	**56,331**	**1,195,813**
Cost / valuation	451,169	677,981	133,241	63,725	12,662	56,331	**1,395,109**
Accumulated depreciation	-	(92,613)	(52,844)	(44,666)	(9,173)	-	**(199,296)**
Net book amount	**451,169**	**585,368**	**80,397**	**19,059**	**3,489**	**56,331**	**1,195,813**

(i) There has been a net decrement of $4,514,000 due to transfers to retirement village assets (refer to Note D2) and intangible assets (refer to Note D3).
(ii) Assets within these classes are used to secure the borrowing facilities of the Trust (refer Note E3).

D1. Property, plant and equipment (continued)

	Freehold land (ii) $'000	Buildings and leasehold improvements (ii) $'000	Plant and equipment $'000	Information Technology $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
2022							
Opening net book amount	173,490	236,725	30,617	9,315	3,373	13,476	**466,996**
Additions	8,240	891	2,386	10,617	1,197	23,749	**47,080**
Transfers (i)	119	5,075	1,065	69	-	(9,520)	**(3,192)**
Disposals	-	-	-	-	(302)	-	**(302)**
Revaluation increment	5,599	15,788	-	-	-	-	**21,387**
Depreciation	-	(10,715)	(5,281)	(5,811)	(1,143)	-	**(22,950)**
Closing net book amount	**187,448**	**247,764**	**28,787**	**14,190**	**3,125**	**27,705**	**509,019**
Cost / valuation	187,448	318,038	70,700	49,724	11,650	27,705	**665,265**
Accumulated depreciation	-	(70,274)	(41,913)	(35,534)	(8,525)	-	**(156,246)**
Net book amount	**187,448**	**247,764**	**28,787**	**14,190**	**3,125**	**27,705**	**509,019**

(i) There has been a net decrement of $3,192,000 due to transfers to retirement village assets (refer to Note D2).

(ii) Assets within these classes are used to secure the borrowing facilities of the Trust (refer Note E3).

D2. 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. Retirement village assets are independently valued on a rotational basis, at least every three years. At 30 June 2023 a fair value assessment was made based on market conditions.

The valuer used the following methodology to determine fair value of the Trust's Retirement Village assets:

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.

Investment property valuations are subject to key market-based assumptions including discount rates, the current market value of residential units and the growth in those values over time. The discount and growth rates used as at 30 June 2023 in valuing retirement village assets are as follows:

	2023	2022
	%	%
Discount rate	**13.3 – 15.0**	13.3 – 16.0
Property price growth rates	**2.6 – 3.5**	2.5 – 3.5

D2. Retirement village assets (continued)

Significant Judgement (continued)

Valuation of retirement village assets (continued)

For the year ended 30 June 2023 the Trust's approach to property valuations was substantially consistent with prior years but with a reduced emphasis in relation to the impact of COVID-19 upon inputs relevant to the valuation model for each property.

Retirement village assets under construction are also measured at fair value, with changes in fair value being recognised in profit or loss. Fair value is subject to key assumptions and significant judgement around future market conditions including unit selling price, deferred management structures and residents share of capital gains.

	2023 $'000	2022 $'000
Balance at beginning of the year	**699,914**	661,093
Restructuring arrangement	**18,572**	-
Additions – Work in Progress	**22,528**	3,514
Additions – Capital improvements	**8,465**	16,164
Additions – Transfers from PPE	**1,824**	3,192
Transfers to property, plant and equipment	**(300)**	-
Fair value adjustments	**10,207**	15,951
Balance at end of the year	**761,210**	699,914

Retirement village assets are used to secure the Trust's borrowing facility (refer Note E3).

D3. 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.

D3. Intangible assets (continued)

Significant judgement

Cash generating units and the allocation of goodwill

As a result of the acquisitions which occurred during the year and the significant change in the operations as a result, the Trust has undertaken a reassessment of the cash generating units ("CGUs") and the allocation of goodwill to these cash generating units at 30 June 2023, based on the level at which independent cash flows are generated and the level at which goodwill is monitored for impairment purposes. The CGUs, which align with the operating segments of the Trust, have been defined as:

	CGU	Group of CGUs	Goodwill allocated to Group of CGUs $'000
Residential Aged Care (RAC)	Individual homes	All homes	942,014
Retirement Living	Individual villages	All villages	Nil
At Home Support	Geographical region	Australia	Nil

The allocation of goodwill arising from business combinations to groups of cash generating units requires significant judgement relating the CGU's or Groups of CGU's that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. The Trust has concluded that goodwill arising from the acquisition of Allity be allocated to the RAC CGU as this is the operating segment expected to materially benefit from the synergies arising from the combination.

Goodwill from historical acquisitions has been allocated to the RAC CGU as part of the reassessment of the CGU's, as this CGU benefits from the acquisitions.

Valuation and impairment of goodwill

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

The most sensitive assumptions used in the calculation of value in use are the discount rate, long term growth rate and profile of future residents with respect to accommodation payment preferences. Sensitivity analysis on reasonably likely changes to these assumptions did not result in an outcome where impairment would be required.

A discount rate was applied to cash flow forecasts, including the terminal value. This rate reflects the current market assessment of the risks specific to the industry the Trust operates in and takes into consideration the time value of money. The calculation of the rate is based on the specific circumstances of the asset and is derived from its weighted average cost of capital. Long term growth rate reflects an assessment of inflation and perpetual growth using market and economic data.

The discount and growth rates used as at 30 June 2023 in assessing the recoverable amount are as follows:

	2023 %	2022 %
Pre-tax discount rate	**10.2**	10.6
Long term growth rate	**2.0**	2.0
Terminal growth rate	**2.5**	2.5

D3. Intangible assets (continued)

(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

During the year ended 30 June 2021, residential care bed licences that were acquired separately were considered to have an indefinite useful life. They were tested for impairment in accordance with the policy stated in note D1.

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 covered potential accounting implications of the deregulation of residential care bed licences.

As a result of these two publications, and subsequent feedback from the Department of Health on the future of residential care bed licences, these assets are now considered to have a finite life that ends on 30 June 2024. As a result, residential care bed licences are being amortised on a straight-line basis down to nil value by 30 June 2024.

(iii) 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.

D3. Intangible assets (continued)

	Goodwill $'000	Software $'000	Residential care bed licences $'000	Total $'000
2023				
Opening net book amount	46,358	2,806	1,460	**50,624**
Restructuring arrangement	895,656	-	-	**895,656**
Additions	-	86	-	**86**
Transfers from PPE	-	2,689	-	**2,689**
Amortisation	-	(1,486)	(730)	**(2,216)**
Closing net book amount	**942,014**	**4,095**	**730**	**946,839**
Cost	957,880	25,820	2,190	**985,890**
Accumulated amortisation and impairment	(15,866)	(21,725)	(1,460)	**(39,051)**
Net book amount	**942,014**	**4,095**	**730**	**946,839**
2022				
Opening net book amount	46,358	4,438	2,190	**52,986**
Disposals	-	(221)	-	**(221)**
Amortisation	-	(1,411)	(730)	**(2,141)**
Closing net book amount	**46,358**	**2,806**	**1,460**	**50,624**
Cost	62,224	23,044	2,190	**87,458**
Accumulated amortisation and impairment	(15,866)	(20,238)	(730)	**(36,834)**
Net book amount	**46,358**	**2,806**	**1,460**	**50,624**

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.

		2023 $'000	2022 $'000
Cash at bank and on hand		**57,827**	45,542
Short-term deposits		**-**	85
Trust account		**86**	82
Secure capital replacement fund	(c)	**19,232**	14,653
Maintenance reserve fund / capital works fund	(d)	**10,440**	14,175
Cash and cash equivalents in the Statement of Cash Flows		**87,585**	74,537

(a) Restricted cash

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

	2023 $'000	2022 $'000
Restricted cash	**29,758**	28,911

(b) Interest rates

The effective interest rate on cash at bank was 0.10% (2022: 0.01%). The effective rate on short term bank deposits was 4.20% (2022: 0.40%).

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), Retirement Villages Act 1999 (NSW) and Retirement Villages Act 2016 (SA), 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), Retirement Villages Act 1999 (NSW) and Retirement Villages Act 2016 (SA), 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 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 following depreciation rates are used:

Class of Asset	Depreciation Rate
Buildings	2.5% - 33%
Equipment	10% - 33%
Software	33%

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 D1.

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.

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 (2022: 20 years) while the average lease term of the other assets is 5 years.

The total cash outflow for leases amounted to $7,400,000 (2022: $4,749,000).

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

(a) Right-of-use assets

	Buildings $'000	Equipment $'000	Software $'000	Total $'000
2023				
Opening net book amount	47,814	4,277	-	**52,091**
Restructuring Arrangement	3,169	-	-	**3,169**
Additions	1,269	17	-	**1,286**
Depreciation	(5,868)	(1,676)	-	**(7,544)**
Closing net book amount	**46,384**	**2,618**	**-**	**49,002**
Cost	71,623	9,843	221	**81,687**
Accumulated depreciation	(25,239)	(7,225)	(221)	**(32,685)**
Net book amount	**46,384**	**2,618**	**-**	**49,002**
2022				
Opening net book amount	52,202	3,268	221	**55,691**
Additions	-	2,344	-	**2,344**
Disposals	(37)	-	-	**(37)**
Depreciation	(4,351)	(1,335)	(221)	**(5,907)**
Closing net book amount	**47,814**	**4,277**	**-**	**52,091**
Cost	67,215	9,826	221	**77,262**
Accumulated depreciation	(19,401)	(5,549)	(221)	**(25,171)**
Net book amount	**47,814**	**4,277**	**-**	**52,091**

(b) Lease liabilities

	2023 $'000	2022 $'000
Current	**6,381**	6,190
Non-current	**48,704**	52,434
	55,085	58,624

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

(c) Future minimum lease payments

The future minimum lease payments arising under the Trust's lease contracts at the end of the reporting period are as follows:

	2023 $'000	2022 $'000
Not later than one year	**8,739**	6,078
Later than one year and not later than five years	**25,903**	18,571
Later than five years	**34,727**	33,975
	69,369	58,624

(d) 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 paid in August 2022.

(ii) Secured loan

The secured loan facility has multiple tranches with expiry dates of 13 February 2024, 13 February 2025 and 13 February 2027. The facility is secured by registered mortgages over the real property assets of the Trust and other related parties who are guarantors to the loan, as well as a general security interest over all property of the Trust and the related party guarantors.

E3. Interest bearing liabilities (continued)

(a) Borrowings (continued)

(ii) Secured loan (continued)

The primary purpose of the unutilised 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 2023, the Trust had drawn $675,000,000 (2022: $911,029,000) with $143,000,000 (2022: $198,971,000) available as undrawn facilities.

(iii) Other financial liability

During the year Allity entered into a transaction with a third party for the sale of nine aged care homes in South Australia and the leaseback of the homes for a term of 20 years with two options to extend, each for an additional period of 10 years. The leases include multiple option rights, including a call option, to repurchase the homes from the third party. When the Restructuring Arrangement occurred on 1 December 2022 (see note A5), the leases were transferred to the Trust as lessee. As a result of the application of *AASB 15 Revenue from Contracts with Customers* the Trust has concluded that the control of the homes did not pass to the third party. The Trust continues to recognise and measure the homes in property, plant and equipment in accordance with the Group accounting policy (note D1). A financial liability has been recognised for the consideration received on the sale of the properties.

Significant judgement

Valuation of financial liability relating to sale and leaseback transactions

Determining the effective interest rate relating to the financial liability for the leaseback transactions requires an estimation of the expected cashflows relating to the final settlement of the liability. These cashflows relate either to the expected option exercise price, if the option is expected to be exercised, or to the expected fair value of the underlying assets at the end of the leaseback period if the asset is expected to be surrendered.

The expected cashflows relating to the financial liability have been estimated using an estimated future fair value of the underlying assets taking into account market factors and historical valuation trends.

There is significant uncertainty in the measurement of the financing liability due to the long period of time until the liability may be settled (over 20 years) and the inherent uncertainty as to whether the option to purchase the assets will in fact be exercised. In the event that the option is not exercised, the financial liability and associated assets will be derecognised, with no cash outflow required.

As a result of this accounting treatment required by AASB 9 *Financial Instruments*, the interest expense recognised on the financial liability has no relationship with or connection to the rent payable under the lease contracts. The interest expense on the financial liability it disclosed in note B2. This interest expense exceeds the rent payable under the leases in the current financial year by $1,995,000.

(b) Carrying amount

		2023 $'000	2022 $'000
Current			
Unsecured Commonwealth Government loan	(a)(i)	**-**	83
Secured loan	(a)(ii)	**30,000**	-
		30,000	83
Non-Current			
Secured loan	(a)(ii)	**645,000**	911,029
Other financial liability	(a)(iii)	**220,829**	-
		865,829	911,029

E4. Other financial liabilities

		2023 **$'000**	2022 $'000
Current			
Retirement village entry contributions	(a)	**520,116**	473,113
Refundable accommodation deposits	(b)	**1,332,610**	338,941
Other loan	(c)	**-**	127
		1,852,726	812,181

(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 RADs 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 uncommitted 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. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into and are subsequently remeasured at fair value or "market to market" at each reporting date. The gain or loss on remeasurement is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument, in which case the remeasurement is measured in equity.

(i) Hedge accounting

At inception of the hedge relationship, the Trust formally designates the relationship between the hedging instrument and the hedged item, as well as its risk management objective and its strategy for undertaking various hedge transactions. The Trust also documents its assessment at hedge inception date and on an ongoing basis as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Trust enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and a qualitative assessment is performed to assess effectiveness. If changes in circumstances affect the terms of the hedged item, such as the terms no longer match exactly with the critical terms of the hedged instrument, a hypothetical derivative method is used to assess effectiveness.

The Trust has entered into cash flow hedges. A cash flow hedge is a derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction. A cash flow hedge is used to swap variable interest rate payments to fixed interest rate payments in order to manage the Trust's exposure to interest rate risk.

The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the cash flow hedge reserve. The change in fair value that is identified as ineffective is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are transferred to profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(ii) Netting of payments

Derivative transactions are administered under International Swaps and Derivatives Association (ISDA) Master Agreements. Where certain credit events occur, such as default, the net position owing / receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. The Trust does not currently have legally enforceable right of set-off between transaction types and therefore these amounts are presented separately in the consolidated balance sheet.

ISDA's held with counterparties allow for the netting of payments and receipts for the settlement of interest rate swap transactions.

E5. Derivative financial instruments (continued)

The following information relates to the Trust's cash flow hedges:

	2023 $'000	2022 $'000
Current assets		
Interest rate swaps	**1,839**	2,564
Non-current assets		
Interest rate swaps	**7,100**	-
	8,939	2,564
Change in fair value of hedging instruments recognised in other comprehensive income	**6,375**	2,564

At 30 June 2023, the Trust had interest rate swaps in place to cover 74.1% (2022: 24.7%) of the variable rate borrowings. The weighted average maturity of interest rate swaps is 3.1 years (2022: 2.3 years).

E6. Financial instruments

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

	Note Reference
Financial assets	
Trade and other receivables	C1
Cash, cash equivalents and term deposits	E1
Interest rate swaps (Derivative financial instruments)	E5
Investment in subsidiary	
Financial liabilities	
Lease liabilities	E2
Loans (Interest-bearing liabilities)	E3
Trade and other payables	C2
Other financial liabilities	E4

E6. Financial instruments (continued)

(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).

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; or
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; or
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(ii) Measurement bases

Amortised cost using the effective interest rate method

Amortised cost applies to both financial assets and financial liabilities. The effective interest rate method is used for amortising premiums, discounts and transaction costs for both financial assets and financial liabilities. When applying the effective interest rate method, interest is recognised in profit or loss in the period in which it accrues, even if payment is deferred. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. Amortisation under this method reflects a constant period return on the carrying amount of the asset or liability.

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

Fair value

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, i.e. as prices, or indirectly i.e. derived from prices.

E6. Financial instruments (continued)

(ii) Measurement bases (continued)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of interest rate swaps is determined as the net present value of contracted cash flows. The existing exposure method, which estimates future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements, has been adopted for interest rate swaps.

The Trust's derivative financial instruments are classified as Level 1 (2022: Level 1). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2021: nil).

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.

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.

(iv) 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.

E6. Financial instruments (continued)

(v) Carrying amounts

The carrying amounts presented in the Statement of Financial Position relate to the following categories of assets and liabilities.

	Note	2023 $'000	2022 $'000
Financial assets measured at fair value through other comprehensive income			
Current			
Interest rate swaps	E5	**1,839**	2,564
Non-current			
Interest rate swaps	E5	**7,100**	-
Financial assets measured at fair value through other comprehensive income		**8,939**	2,564
Financial assets measured at amortised cost			
Current			
Cash and cash equivalents	E1	**87,585**	74,537
Trade and other receivables	C1	**121,126**	4,984
		208,711	79,521
Non-current			
Trade and other receivables (loans receivable)	C1	**17,899**	149,059
Investment in subsidiary		**601,465**	601,465
		619,364	750,524
Total financial assets		**837,014**	832,609
Financial liabilities measured at amortised cost			
Current			
Trade and other payables	C2	**787,333**	49,618
Lease liabilities	E2	**6,381**	6,190
Interest-bearing liabilities	E3	**30,000**	83
Other financial liabilities	E4	**1,852,726**	812,181
		2,676,440	868,072
Non-current			
Trade and other payables	C2	**208,746**	91,110
Lease liabilities	E2	**48,704**	52,434
Interest-bearing liabilities	E3	**865,829**	911,029
		1,123,279	1,054,573
Total financial liabilities		**3,799,719**	1,922,645

E7. Reserves

(i) Asset revaluation reserve

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

(ii) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated in the cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Included in the cash flow hedge reserve is $704,773 (2022: $623,000) relating to the cost of hedging reserve. Changes in the fair value of the cash flow hedging instruments relating to the time value of money have been recognised in the cost of hedging reserve.

(iii) Restructure reserve

The Restructure reserve (see note F4) was created on the transfer of the assets and liabilities of Allity to the Trust on 1 December 2022 (see the restructuring arrangement described in note A5). The reserve represents the difference between the consideration paid for the transfer and the carrying values of the net assets in the consolidated financial statements of the Company at the date of the transfer.

E8. 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 $25,151,000 at 30 June 2023 (2022: $83,629,000).

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 $12,310,000 (2022: $6,830,000). There are no other contingent liabilities material to the Trust.

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 of $3,334,498 (2022: $2,392,486) was recognised as an expense during the reporting period.

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 and executives may have family members or relatives who utilise the services that the Trust provides. Such transactions are conducted at arm's length.

(b) Transactions with related parties

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:

	2023 **$**	2022 $
Purchase of brokered services - RDNS Homecare Limited	**1,100**	5,551
Sale of brokered services - Royal District Nursing Service Limited	**4,934**	39,467
Purchase of services - Altura Learning Australia Pty Ltd	**(231,359)**	(217,480)
Salary and wages expense recharge - Royal District Nursing Service Limited	**20,822,831**	18,100,814
Net interest on loans – RDNS Homecare Limited	**319,698**	178,291
Net interest on loans – Australian Aged Care Partners Holdings Pty Ltd	**1,230,675**	1,234,645
Net interest on loans – Acacia Living Group Limited	**72,144**	469,951
Net interest on loans – Royal District Nursing Service Limited	**(3,186,670)**	(2,167,017)
Net interest on loans – McKenzie Aged Care Group Pty Ltd	**1,028,414**	-
Net interest on loans – Altura Learning Group Holdings Pty Ltd	**-**	65

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

F4. Restructure reserve

A group restructure or common control transaction is a business combination involving entities or businesses under common control in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Where the Trust acquires a business through a re-organisation transaction, the Trust has elected to account for the transaction using predecessor accounting, whereby the carrying amounts of the assets and liabilities transferred are those of the acquired entity based on the carrying value in the consolidated financial statements of the ultimate parent entity. The difference between the carrying value of the assets and liabilities transferred and consideration paid is recognised directly in equity in the restructure reserve.

F4. Restructure reserve (continued)

On 1 December 2022, the Trust acquired the assets and liabilities of Australian Aged Care Partners Holdings Pty Ltd (trading as Allity). Allity is a wholly owned subsidiary that operated 43 residential aged care facilities and three retirement villages throughout Queensland, New South Wales, Victoria and South Australia.

The fair values of the identifiable assets and liabilities of Allity at the date of acquisition were:

	$'000
Current assets	
Cash and cash equivalents	**53,084**
Trade and other receivables	**9,730**
Prepayments and deposits	**4,784**
Total current assets	**67,598**
Non-current assets	
Property, plant and equipment	**691,975**
Intangibles	**895,656**
Right-of-use assets	**3,169**
Retirement village assets	**18,572**
Total non-current assets	**1,609,372**
Total assets	**1,676,970**
Current liabilities	
Trade and other payables	**(21,494)**
Provisions	**(229)**
Other financial liabilities	**(926,618)**
Total current liabilities	**(948,341)**
Non-current liabilities	
Lease liabilities	**(3,628)**
Interest-bearing liabilities	**(218,834)**
Total non-current liabilities	**(222,462)**
Total liabilities	**(1,170,803)**
Net assets acquired	**506,167**
Restructuring reserve on acquisition	**192,470**
Purchase consideration	**698,637**

The fair value of the assets and liabilities at 1 December 2022, have been recognised by the Trust, in accordance with the accounting policy to adopt predecessor accounting to the re-organisation.

F5. Reconciliation of deficit to net cash inflow from operating activities

	2023 $'000	2022 $'000
Deficit for the financial year	**(61,614)**	(36,953)
Non-cash adjustments for:		
Depreciation of right-of-use-assets, property, plant and equipment	**50,939**	28,857
Amortisation of intangible assets	**2,216**	2,141
Net (gain) / loss on sale of assets	**(181)**	193
Accommodation bond retentions	**-**	(6)
Deferred management fees	**(15,033)**	(13,577)
Net gain on retirement village assets	**(70)**	(6,913)
	(23,743)	(26,258)
Non-operating item adjustments for:		
Finance costs	**62,672**	18,316
Finance income	**(5,593)**	(1,967)
	33,336	(9,909)
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**(3,758)**	6,896
Decrease / (increase) in prepayments	**12,961**	(10,068)
Decrease in trade and other payables	**15,732**	(41,472)
(Decrease) / increase in provisions	**18,634**	39,557
Decrease in unearned revenue	**21**	(4,546)
Net cash generated by / (used in) operating activities	**76,926**	(19,542)

F6. 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.

F7. Remuneration of auditors

	2023 $'000	2022 $'000
Deloitte and related network firms		
Audit or review of financial reports*	**338**	300
Statutory assurance services required by legislation to be provided by the auditor	**42**	30
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**40**	45
Other services:		
- Environmental, Sustainability and Governance Consulting	**66**	41
	486	416

* The auditor of the Group is Deloitte Touche Tohmatsu.

F8. Events subsequent to reporting date

On 27 September 2023, a wholly owned subsidiary declared a fully franked dividend of $451,395,000, payable to RSL Care RDNS Limited as trustee of the Trust. As the Trust is exempt from income tax in accordance with the *Income Tax Assessment Act 1997* (C'th), it is expected the Trust will be entitled to a franking credit refund of $193,455,000, to be recognised during the year ended 30 June 2024.

Other than the matters noted above, in the opinion of the Directors, no item, transaction 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.

BOLTON CLARKE Be true to you

Directors' Declaration

The Directors of the Trustee declare that:

1. The Financial Statements and Notes:

    a. comply with Australian Accounting Standards – Simplified Disclosures, 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 2023 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, 28 September 2023

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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 combined statement of financial position as at 30 June 2023, combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the declaration of the board of directors.

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:

(i) giving a true and fair view of the Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

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 the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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, for the year ended 30 June 2023 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.

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 – Simplified Disclosures 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 ability of the Entity 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 this financial report.

As part of an audit in accordance with the 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 directors' 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.

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, 28 September 2023