Australian Securities & Investments Commission

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Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

AUSTRALIAN UNITY CARE SERVICES PTY LTD

ACN

065 558 134

Lodgement details

Registered agent number

49016

Registered agent name

AUSTRALIAN UNITY GROUP SERVICES PTY LTD

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date
30-06-2024

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
170081000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
536496000

How many employees are employed by the large proprietary company and the entities that it controls?
317

How many members does the large proprietary company have?

1

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Appointment of an auditor

Date of appointment **17-01-2024**

Business Name **KPMG**

Address

'TOWER TWO COLLINS SQUARE'
727 COLLINS STREET
DOCKLANDS VIC 3008
Australia

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authenticated by

Name	AUSTRALIAN UNITY GROUP SERVICES PTY LTD

This form has been submitted by

Name	Catherine VISENTIN
Date	31-10-2024

For more help or information

Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
Telephone	1300 300 630

Australian Unity Care Services Pty Ltd

ABN 44 065 558 134

Annual report
for the year ended 30 June 2024

Australian Unity Care Services Pty Ltd ABN 44 065 558 134
Annual report - 30 June 2024

Directors' report

The directors present their report on Australian Unity Care Services Pty Ltd (the Company) for the year ended 30 June 2024 and the report of the auditor thereon.

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

Lucinda Brogden, Chair and Non-Executive Director (appointed Chair and Director 1 December 2023)
Rohan Mead, Group Managing Director (resigned as Chair 1 December 2023)
Lisa Chung, Non-Executive Director (appointed 1 December 2023)
Su McCluskey, Non-Executive Director (appointed 1 December 2023)
Helen Nott, Non-Executive Director (appointed 1 December 2023)
Ryan Thomas, Non-Executive Director (appointed 28 March 2024)
Margaret Adams, Non-Executive Director (appointed 1 December 2023, resigned 28 March 2024)
Prudence Bowden, Group Executive, Home Health (resigned as Director 1 December 2023)
Darren Mann, Group Executive, Finance and Strategy, and Chief Financial Officer (resigned as Director 25 October 2023)

Company secretaries
Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Care Services Pty Ltd at 30 June 2024.

Principal activities
The principal continuing activities of the Company are the operation and management of residential aged care facilities. The Company is an approved provider of residential aged care under the *Aged Care Act 1997*.

Dividends
The Company did not pay any dividends during the financial year ended 30 June 2024 (2023: $nil).

Review of operations
For the year ended 30 June 2024, the Company recorded a loss after income tax of $12,083,000 (2023: $9,939,000). The Company continued to achieve revenue growth with revenue from government subsidies and aged care resident services, increased by 40.4% to $131,458,000 (2023: $93,641,000). Investment and other income increased by 0.9% to $8,212,000 (2023: $8,139,000). Expenses excluding finance costs increased by 34.7% to $151,287,000 (2023: $112,277,000), primarily attributed to higher employee benefit expense.

The improved revenue reflected higher occupancy levels over the year, which averaged 97.1 percent in mature homes (being those that are two years post development completion), some 4.4 percentage points above the sector average of 92.7 percent. In addition, the trade up of the two newest residential aged care facilities occurred at a stronger pace than projected for the year. Walmsley in Kilsyth, Victoria completed its trade up during the year and achieved full occupancy after 16 months while The Alba in South Melbourne, Victoria reached 66.3 percent occupancy at 30 June 2024.

Matters subsequent to the end of the financial year
In July 2024, the directors resolved for the Company to issue ordinary shares to the value of $5,250,000 to its parent entity, Australian Unity Retirement Living Services Limited.

The Australian Government introduced the *Aged Care Bill 2024* to Parliament on 12 September 2024. This new law will improve the lives of older people accessing aged care services in their homes, community settings and residential aged care homes encourage aged care providers to deliver high-quality care. The new law will have a positive impact on the revenue of residential aged care providers.

The Board is not aware of any other matter or circumstance arising since 30 June 2024 which has significantly affected or may significantly affect the financial status or results of the Company.

Likely developments and expected results of operations
The Board is not aware of any developments which may affect the Company's operations and expected results of operations which can be disclosed without prejudicing unreasonably their likelihood of success or violating commercial confidences.

Environmental regulation
The property operations managed by the Company are subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Company's financial statements) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest except as disclosed in the details of related party transactions in note 17.

Insurance and indemnification of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors, company secretaries and executive officers of the Company to the extent permitted by the *Corporations Act 2001*. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liabilities covered and the amount of the premium.

In accordance with the constitution of the Company and under a separate deed, the directors and officers are indemnified to the extent permitted by law against any liability incurred by them in connection with the proper discharge of their duties, other than for conduct involving lack of good faith.

Auditor's independence declaration

KPMG is the external auditor for the 2024 financial year (2023: PricewaterhouseCoopers Australia). A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission. Unless otherwise stated, amounts in the directors' report and financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Lucinda Brogden
Director

Rohan Mead
Director

Melbourne
28 October 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Unity Care Services Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Unity Care Services Pty Ltd for the financial year ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Shara Learmonth
Partner

Sydney
28 October 2024

Australian Unity Care Services Pty Ltd ABN 44 065 558 134
Financial report - 30 June 2024

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

Australian Unity Care Services Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

271 Spring Street
Melbourne VIC 3000

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1 which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 October 2024. The directors have the power to amend and reissue the financial statements.

Australian Unity Limited, the Company's ultimate parent entity, produces consolidated financial statements that are included in its annual report. This annual report is available for public use and can be obtained from Australian Unity Limited's office at 271 Spring Street, Melbourne, VIC 3000.

	Notes	**2024 $'000**	2023 $'000
Revenue and other income	1	**170,081**	120,665
Expenses, excluding finance costs	2	**(151,287)**	(112,277)
Finance costs	2	**(36,243)**	(24,393)
Loss before income tax		**(17,449)**	(16,005)
Income tax benefit	3	**5,366**	6,066
Loss after income tax		**(12,083)**	(9,939)
Total comprehensive income for the year		**(12,083)**	(9,939)
Loss for the year is attributable to:			
Owners of Australian Unity Care Services Pty Ltd		**(12,083)**	(9,939)
Total comprehensive income for the year is attributable to:			
Owners of Australian Unity Care Services Pty Ltd		**(12,083)**	(9,939)

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

	Notes	**2024 $'000**	2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	**64,238**	33,646
Trade and other receivables		**8,563**	7,513
Loans and advances	5	**236,027**	186,097
Total current assets		**308,828**	227,256
Non-current assets			
Investments in associate	12	**12,914**	12,914
Investments in subsidiaries	13	**168,202**	168,202
Deferred tax assets		**5,011**	4,249
Property, plant and equipment		**7,609**	10,402
Right-of-use assets	8	**33,470**	36,492
Intangible assets	9	**462**	4,610
Total non-current assets		**227,668**	236,869
Total assets		**536,496**	464,125
LIABILITIES			
Current liabilities			
Trade and other payables		**12,299**	6,552
Interest bearing liabilities	6	**12,915**	22,510
Non-interest bearing liabilities	7	**424,860**	335,133
Lease liabilities	8	**4,681**	4,416
Provisions		**8,684**	6,358
Other current liabilities		**283**	273
Total current liabilities		**463,722**	375,242
Non-current liabilities			
Interest bearing liabilities	6	**12,878**	725
Non-interest bearing liabilities	7	**-**	14,166
Lease liabilities	8	**38,473**	40,989
Provisions		**2,003**	1,500
Total non-current liabilities		**53,354**	57,380
Total liabilities		**517,076**	432,622
Net assets		**19,420**	31,503
EQUITY			
Contributed equity	10	**66,034**	66,034
Accumulated losses		**(46,614)**	(34,531)
Total equity		**19,420**	31,503

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

	Notes	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022		49,674	(24,592)	25,082
Loss for the year		-	(9,939)	(9,939)
Other comprehensive income		-	-	-
Total comprehensive income		-	(9,939)	(9,939)
Transactions with owners in their capacity as owners:				
Contributions of equity	10	16,360	-	16,360
Balance at 30 June 2023		66,034	(34,531)	31,503
Balance at 1 July 2023		**66,034**	**(34,531)**	**31,503**
Loss for the year		**-**	**(12,083)**	**(12,083)**
Other comprehensive income		**-**	-	-
Total comprehensive income		**-**	**(12,083)**	**(12,083)**
Transactions with owners in their capacity as owners:				
Contributions of equity	10	**-**	-	**-**
Balance at 30 June 2024		**66,034**	**(46,614)**	**19,420**

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

	Notes	**2024 $'000**	2023 $'000
Cash flows from operating activities			
Government subsidies, resident fees and commissions received (inclusive of goods and services tax)		**135,071**	90,855
Payments to suppliers and related entities (inclusive of goods and services tax)		**(160,188)**	(101,160)
Interest and distribution received		**8,131**	7,825
Other income received		**81**	314
Income tax refunds		**4,604**	5,634
Net cash inflow/(outflow) from operating activities		**(12,301)**	3,468
Cash flows from investing activities			
Loans provided to related entities		**(49,930)**	(12,748)
Payments for additional investments in subsidiaries		**-**	(1,750)
Proceeds from transfer of property, plant and equipment to related entities		**5,256**	-
Payments for property, plant and equipment		**(4,611)**	(6,608)
Payments for intangible assets		**(97)**	(226)
Payments for transfer of intangible assets from related entities		**(10)**	-
Net cash outflow from investing activities		**(49,392)**	(21,332)
Cash flows from financing activities			
Net receipts from accommodation bonds and interest		**75,561**	40,605
Receipt from shares insurance		**-**	16,360
Receipt/(repayment) of borrowings from related entities		**16,724**	(22,126)
Net cash inflow from financing activities		**92,285**	34,839
Net increase in cash and cash equivalents		**30,592**	16,975
Cash and cash equivalents at the beginning of the financial year		**33,646**	16,671
Cash and cash equivalents at the end of the financial year	4	**64,238**	33,646

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

Notes to the financial statements

Operating Results

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of Australian Unity Care Services Pty Ltd (the Company).

1 Revenue and other income

The Company operates in Australia and generates revenue mainly through its operations and management of residential aged care facilities. Resident fees and service revenue, retention resident accommodation payments (DAPs) and a majority of management fee income from related entities are recognised over time when the customers simultaneously receive the benefits from the services provided under contracts with the Company.

The following are Revenue from services accounted for under AASB 15, except for imputed revenue on Refundable Accommodation Deposits (RAD) which is accounted for under AASB 16, and other income:

	2024 $'000	2023 $'000
Revenue from services		
Government subsidies funding aged care services	**94,602**	65,721
Accommodation revenue	**36,856**	27,920
Imputed revenue on RAD	**30,411**	18,885
	161,869	112,526
Investment and other income		
Distribution income	**644**	3,643
Interest income	**7,487**	4,182
Other income	**81**	314
	8,212	8,139
Revenue and other income	**170,081**	120,665

2 Expenses

	2024 $'000	2023 $'000
Expenses, excluding finance costs, included in the profit or loss classified by nature:		
Depreciation and amortisation expense	**9,425**	8,730
Employee benefits expense	**109,297**	73,668
Occupancy costs	**9,866**	7,225
Resident costs	**10,377**	8,628
Shared service costs charged by related entities	**7,175**	10,879
Other expenses	**5,147**	3,147
	151,287	112,277
Depreciation and amortisation		
Depreciation of property, plant and equipment	**2,148**	1,762
Depreciation of right-of-use assets	**3,022**	2,717
Amortisation of intangible assets	**4,255**	4,251
	9,425	8,730

	2024 $'000	2023 $'000
Finance costs		
Imputed finance cost on RAD	**30,411**	18,885
Interest and finance charges on borrowings	**3,563**	3,493
Notional interest on leases (note 8(b))	**2,269**	2,015
Total interest and finance charges	**36,243**	24,393

3 Income tax benefit

(a) Income tax benefit

	2024 $'000	2023 $'000
Current tax	**2,295**	6,016
Deferred tax	**763**	432
Adjustments for current tax of prior periods	**2,308**	(382)
Income tax benefit	**5,366**	6,066

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

	2024 $'000	2023 $'000
Loss before income tax	**(17,449)**	(16,005)
Tax at the Australian tax rate of 30% (2023: 30%)	**5,235**	4,802
Non-assessable income	**194**	1,093
Non-deductible expenditure	**(5)**	(3)
Over/(under) provision in prior years	**(58)**	174
Income tax benefit	**5,366**	6,066

4 Financial assets - Cash and cash equivalents

	2024 $'000	2023 $'000
Cash at bank and on hand	**193**	278
Bank balances	**2,326**	22,056
Cash equivalents held in the form of investment trusts*	**61,719**	11,312
	64,238	33,646

* Includes investment trusts which have investment policy that invests in short term, highly liquid assets that readily supports conversion to cash.

5 Financial assets - Loans and advances

	2024 $'000	2023 $'000
Unsecured loans to parent entity - current		
Australian Unity Retirement Living Services Limited	**14,078**	14,078
Unsecured loans to related entities - current		
Australian Unity Campbell Place Aged Care Land Trust	**55,510**	55,510
Australian Unity Sienna Grange Aged Care Land Trust	**32,977**	32,977
Australian Unity Peninsula Grange RACF Land Trust	**64,119**	64,119
Australian Unity Aged Care Trust #1	**30,734**	15,893
Australian Unity Investments Trust	**38,609**	3,520
	221,949	172,019
Total loans and advances	**236,027**	186,097

5 Financial assets - Loans and advances (continued)

The loans to parent entity bear interest on a monthly basis at the 90 day bank bill rate plus a margin of 2%. At 30 June 2024 this amounted to 6.45% (2023: 6.35%) per annum.

Loans to related entities were charged with fixed interest at 0.9% per annum. Under the loan agreements, the Company provides an advance to each of the related entities at the time it receives Refundable Accommodation Deposits (RAD) from the residents that will occupy the respective aged care facilities and in an amount equivalent to the RAD. The loans are to be used for capital expenditures as permitted under the Aged Care Act 1997, including expenditures for the construction of the aged care facilities.

6 Financial liabilities - Interest bearing liabilities

	2024 $'000	2023 $'000
Current		
Loan from ultimate parent entity	**12,915**	16,171
Loan from parent entity	**-**	6,339
	12,915	22,510
Non-current		
Loan from ultimate parent entity	**6,539**	725
Loan from parent entity	**6,339**	-
	12,878	725
Total interest bearing liabilities	**25,793**	23,235

The current loan from ultimate parent entity of $12,915,000 (2023: $16,171,000) and non-current loans of $6,539,000 (2023: $725,000) accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2.00% - 2.55%. At 30 June 2024 this amounted to 6.45% - 7.00% per annum (2023: 6.85% - 6.90% per annum).

The non-current loan from parent entity of $6,339,000 (2023: current loan of $6,339,000) accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2.50%. At 30 June 2024 this amounted to 6.95% per annum (2023: 6.85% per annum).

7 Financial liabilities - Non-interest bearing liabilities

	2024 $'000	2023 $'000
Current		
Refundable accommodation deposits - current	**410,694**	335,133
Loan from parent entity - current	**14,166**	-
	424,860	335,133
Non-current		
Loan from parent entity - non-current	**-**	14,166
Total non-interest bearing liabilities	**424,860**	349,299

7 Financial liabilities - Non-interest bearing liabilities (continued)

Refundable accommodation deposits represent payments received from the residents of aged care facilities as upfront deposits for their aged care accommodation. Residents have the ability to pay the deposits up to six months after moving into an aged care facility. These deposits are non-interest bearing and are repayable within 14 days of a resident's departure from the facility or within 14 days of the granting of probate. Regulations restrict the permitted use of the accommodation deposits to repayment of accommodation deposit balances, capital expenditures of residential aged care facilities and investments in qualified financial products.

8 Non-financial assets and liabilities - Leases

AASB 16 requires the recognition of lease assets and liabilities on balance sheet with the amortisation of the assets and finance costs of the liabilities to be charged to profit or loss. Short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss.

The Company has non-cancellable lease contracts, as lessee, with related entities for retirement village properties. The Company's lease contracts do not impose any covenants other than the security interests in the leased assets that are held by the lessors.

(a) Amounts recognised in the balance sheet

The following are assets and liabilities recognised under AASB 16:

	30 June 2024 $'000	30 June 2023 $'000
Right-of-use assets		
Buildings	**33,470**	36,492
Total assets	**33,470**	36,492
Lease liabilities		
Current	**4,681**	4,416
Non-current	**38,473**	40,989
Total liabilities	**43,154**	45,405

Additions to the right-of-use assets during the financial year ended 30 June 2024 were $nil (2023: $7,017,000).

	2024 $'000	2023 $'000
Future lease payments in relation to lease liabilities as at period end are as follows:		
Within one year	**4,791**	4,521
Later than one year but not later than five years	**20,333**	20,782
Later than five years	**35,697**	40,039
	60,821	65,342

(b) Amounts recognised in the statement of comprehensive income

	2024 $'000	2023 $'000
Depreciation charge of right-of-use assets	**3,022**	2,717
Interest expense (included in Finance costs)	**2,269**	2,015
Expenses relating to short-term leases or leases of low value assets (included in Other expenses)	**167**	41
	5,458	4,773

Total cash outflow for leases in the financial year ended 30 June 2024 was $4,688,000 (2023: $4,392,000).

9 Non-financial assets - Intangible assets

	Computer software $'000	Aged care bed licences $'000	Total $'000
At 30 June 2023			
Cost	5,117	10,740	15,857
Accumulated amortisation and impairment	(4,412)	(6,835)	(11,247)
Net book amount	705	3,905	4,610
Year ended 30 June 2024			
Opening net book amount	**705**	**3,905**	**4,610**
Additions	**97**	**-**	**97**
Transfers from related entity	**10**	**-**	**10**
Amortisation charge	**(350)**	**(3,905)**	**(4,255)**
Closing net book amount	**462**	**-**	**462**
At 30 June 2024			
Cost	**5,282**	**10,740**	**16,022**
Accumulated amortisation and impairment	**(4,820)**	**(10,740)**	**(15,560)**
Net book amount	**462**	**-**	**462**

Aged care bed licences
Residential Care Places under the Aged Care Act 1997 (bed licences) initially granted to the Group by the Department of Health and Ageing are not ascribed a value. Bed licences purchased from other approved providers are valued at cost.

Prior to October 2021, aged care bed licences were assessed as having an indefinite useful life and therefore were not amortised. Following on the government announcement that the aged care bed licences would be abolished from 1 July 2024. The carrying amount of the licences was amortised from 1 October 2021 until 30 June 2024.

10 Equity

Share capital

	2024 Shares	2023 Shares	**2024 $'000**	2023 $'000
Ordinary shares				
Fully paid	**66,034,209**	66,034,209	**66,034**	66,034

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

10 Equity (continued)

Share capital (continued)

	Number of shares	$'000
2023		
Balance at beginning of the financial year	49,674,209	49,674
Shares issued during the year	16,360,000	16,360
Balance at the end of the financial year	66,034,209	66,034
2024		
Balance at beginning of the financial year	**66,034,209**	**66,034**
Shares issued during the year	**-**	**-**
Balance at the end of the financial year	**66,034,209**	**66,034**

11 Critical estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in this section.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of intangibles with indefinite useful lives

The Company tests annually whether intangibles have suffered any impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated in accordance with the accounting policy stated in note 19. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions.

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

The initial values of right-of-use assets and lease liabilities are estimated based on the present value of lease payments. The lease payments are discounted using the Company's incremental borrowing rate which is determined using a three-month bank bill swap curve plus a margin that reflects the credit risk.

(iii) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the end of each reporting period. In determining the present value of the liability, attrition rates and pay increases as a result of projected inflation have been taken into account.

Company structure

This section provides information which will help users understand how the Company structure affects the financial position and performance of the Company as a whole.

12 Investments in associate

The Company invests in a holding entity of residential communities development, 114 Albert Road Holding Trust. As at 30 June 2024, the Company owned 40.5% (2023: 40.5%) of the issued units amounting to $12,914,000 (2023: $12,914,000).

13 Investments in subsidiaries

Name of entity	Country of incorporation	Holding	Equity holding		Value of investment	
			2024 %	2023 %	**2024 $'000**	2023 $'000
Directly owned by the Company						
Australian Unity Aged Care Investments Pty Ltd	Australia	Shares	**100**	100	**65,478**	65,478
Australian Unity Aged Care Trust #1	Australia	Units	**100**	100	**10,167**	10,167
Australian Unity Aged Care Trust #4	Australia	Units	**100**	100	**23,668**	23,668
Australian Unity Aged Care Trust #5	Australia	Units	**100**	100	**32,728**	32,728
Australian Unity Campbell Place Aged Care Land Trust	Australia	Units	**100**	100	**4,560**	4,560
Australian Unity Investment Trust	Australia	Units	**100**	100	**24,376**	24,376
Australian Unity Peninsula Grange RACF Land Trust	Australia	Units	**100**	100	**6,500**	6,500
Australian Unity Sienna Grange Aged Care Land Trust	Australia	Units	**100**	100	**725**	725
Indirectly owned by the Company						
Australian Unity Carlton Aged Care Trust	Australia	Units	**100**	100	**-**	-
Lane Cove Holding Trust	Australia	Units	**100**	100	**-**	-
					168,202	168,202

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

14 Commitments

There were no commitments for expenditure at 30 June 2024 (2023: $nil).

15 Contingencies

The Company had no contingent assets or liabilities at 30 June 2024 (2023: $nil).

16 Events occurring after the reporting period

In July 2024, the directors resolved for the Company to issue ordinary shares to the value of $5,250,000 to its parent entity, Australian Unity Retirement Living Services Limited.

The Australian Government introduced the *Aged Care Bill 2024* to Parliament on 12 September 2024. This new law will improve the lives of older people accessing aged care services in their homes, community settings and residential aged care homes encourage aged care providers to deliver high-quality care. The new law will have a postive impact on the revenue of residential aged care providers.

16 Events occurring after the reporting period (continued)

The Board is not aware of any other matter or circumstance arising since 30 June 2024 which has significantly affected or may significantly affect the financial status or results of the Company and which has not been separately disclosed in this report.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

17 Related party transactions

(a) Parent entity

Australian Unity Retirement Living Services Limited (AURLS) is the parent entity of the Company, and Australian Unity Limited (AUL) is the ultimate parent entity of the Australian Unity Group.

At 30 June 2024, AURLS owned 100% of the Company's issued ordinary shares (2023: 100%).

AUL's board of directors regularly reviews the long term business strategy and funding requirements for all controlled entities and allocates capital as required. As a controlled entity of AUL, the Company accesses working capital from the AUL Group Treasury to meet any temporary funding requirements which may arise from its activities consistent with approved plans.

(b) Directors

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

Lucinda Brogden, Rohan Mead, Lisa Chung, Su McCluskey, Helen Nott, Ryan Thomas, Margaret Adams, Prudence Bowden and Darren Mann.

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2024 and 2023 is set out below. The key management personnel are all the directors of the Company and those executives with the greatest authority for the strategic direction and management of the Company.

	2024 **$**	2023 $
Short-term employee benefits	**464,593**	397,307
Post-employment benefits	**27,130**	9,760
MCI-based benefits	**34,177**	43,409
Termination benefits	**47,768**	-
	573,668	450,476

(d) Other transactions with key management personnel

From time to time, key management personnel may purchase or subscribe to the various products offered by the Company or its related entities. These transactions are on similar terms and conditions to those entered into by other customers or employees and are trivial or domestic in nature.

(e) Transactions with related parties

Transactions between the Company and related entities during the years ended 30 June 2024 and 2023 were as follows:

- Distribution income from related entities, $643,638 (2023: $3,643,205).
- Interest income from related entities, $5,742,213 (2023: $3,804,834).
- Shared services costs charged by related entities, $7,174,617 (2023: $10,879,098).

17 Related party transactions (continued)

(e) Transactions with related parties (continued)

- Occupancy expenses charged by a related entity (including depreciation and interest expense associated with leases), $9,979,246 (2023: $9,116,304).
- Interest and finance costs charged by related entities, $2,551,521 (2023: $2,442,806).
- Transfer of equipment to related entities, $5,255,983 (2023: $nil).

The Company reimburses Australian Unity Group Services Proprietary Ltd (AUGSPL), a related entity, for employee benefit expenses of those AUGSPL employees working directly for the Company. AUGSPL also provides office space and administrative services to the Company on a commercial basis. The charge for these services is included in the shared services costs as disclosed above.

All transactions with related entities are entered into on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of unsecured balances between the parties.

Transactions with the parent entity and other related entities are settled through intercompany accounts. The intercompany balances at 30 June 2024 and 2023 are included in the notes to the financial statements as amounts receivable from/(payable to) related entities as applicable.

(f) Balances with related parties

The following balances with related entities were outstanding at the end of each reporting period:

	2024 $	2023 $
Current assets		
Cash equivalents held in the form of investment trusts (note 4)	**61,719,335**	11,311,809
Loans to parent entity (note 5)	**14,078,264**	14,078,264
Loans to related entities (note 5)	**221,948,836**	172,019,439
Trade and other receivables	**1,927,149**	-
	299,673,584	197,409,512
Current liabilities		
Lease liabilities to related entities (note 8)	**4,680,656**	4,416,000
Loans from ultimate parent entity (note 6)	**12,915,000**	16,171,367
Loan from parent entity (note 6)	**-**	6,339,000
Loan from parent entity - non-interest bearing (note 7)	**14,165,500**	-
Trade and other payables	**-**	225,135
	31,761,156	27,151,502
Non-current liabilities		
Lease liabilities to related entities (note 8)	**38,472,951**	40,988,756
Loan from ultimate parent entity (note 6)	**6,538,867**	725,000
Loan from parent entity (note 6)	**6,339,000**	-
Loan from parent entity - non-interest bearing (note 7)	**-**	14,165,500
	51,350,818	55,879,256

18 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company:

Audit services

	2024 **$**	2023 $
KPMG (2023: PricewaterhouseCoopers Australia)		
Audit and review of financial statements	**50,618**	44,691
Audit of regulatory returns	**50,756**	44,812
Total auditors' remuneration	**101,374**	89,503

19 Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Company as an individual entity.

The financial statements are for Australian Unity Care Services Pty Ltd as an individual entity (the Company). The Company has elected not to prepare consolidated financial statements in accordance with paragraphs 4(a), Aus 4.1 and Aus 4.2 of AASB 10. Australian Unity Limited, the Company's ultimate parent entity, prepares consolidated financial statements that comply with International Financial Reporting Standards and these are available for public use.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit private sector entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards – Simplified Disclosure Requirements

The financial statements of the Company comply with Australian Accounting Standards - Simplified Disclosures as issued by the Australian Accounting Standards Board.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

(iii) New and amended accounting standards which are mandatory for the first time

The accounting policies and financial risk management policies are the same as those applied for the year 30 June 2023. Where applicable, the Company has adopted new and amended accounting standards which have become mandatory for the first time in the current reporting period as set out in below table. The application of the new and amended accounting standards has no impact to the amounts reported in the Company's financial statements.

AASB	**Title**
AASB 2020-01	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
AASB 2022-7	Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

The financial statements have been prepared on a going concern basis. The Company has a letter of support from the ultimate parent entity which will provide support to the Company to pay its debts as and when they fall due, if required.

19 Material accounting policies (continued)

(b) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(c) Employee benefits

Employees engaged in the Company's operations are employed by the Company or by a related entity, Australian Unity Group Services Proprietary Limited (AUGSPL), with employee benefit expenses accounted for on the basis below. Those expenses incurred in AUGSPL that are applicable to the Company are directly passed on to the Company.

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period are recognised in other payables in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on high quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of each reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

The Company contributes to the Australian Unity Staff Superannuation Plan, the Hesta Superannuation Fund and other complying superannuation funds nominated by employees. The Australian Unity Staff Superannuation Plan is open to new members and is an accumulation fund, where the employer contributions are fully vested in the member. The Hesta Superannuation Fund is an industry based fund for employees working in retirement village complexes and aged care facilities. The Company is required to contribute to the above mentioned plans in accordance with the Superannuation Guarantee Legislation.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

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

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

19 Material accounting policies (continued)

(e) Government grants (continued)

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(f) Income tax

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carrying forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

19 Material accounting policies (continued)

(f) Income tax (continued)

Tax consolidation
Australian Unity Limited, the Company's ultimate parent entity, and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Australian Unity Limited, as the head entity, and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. The head entity also recognises the current tax assets or liabilities, and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities under the tax consolidated group entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(g) Intangible assets

(i) Aged care bed licences

Prior to October 2021, aged care bed licences were assessed as having an indefinite useful life and therefore were not amortised. Following on the government announcement that the aged care bed licences would be abolished from 1 July 2025. The carrying amount of the licences was amortised from 1 October 2021 until 30 June 2024.

(ii) Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as computer software. Computer software is initially recognised at cost. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of software and licences over their estimated useful lives, which vary from 4 to 7 years.

Costs incurred in configuring or customising cloud-based software under software as a service (SaaS) arrangement are recognised as intangible assets if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Those costs that do not result in creating an intangible asset are expensed as incurred, unless they are paid to the supplier of the SaaS arrangement to significantly customise the cloud-based software for the entity, in which case the costs are recorded as a prepayment for services and amortised over the expected term of the arrangement.

(h) Interest income

Interest income is recognised using the effective interest method when the Company has control of the right to receive the interest payment. The effective interest rate method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or liability.

(i) Investments in subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are accounted for at cost in the Company's financial statements. Dividends received from subsidiaries are recognised in the profit or loss. The investments in subsidiaries are derecognised at the date of disposal and any gain or loss is included in the profit or loss.

19 Material accounting policies (continued)

(i) Investments in subsidiaries (continued)

The subsidiaries are fully consolidated in the financial statements of Australian Unity Limited, the Company's ultimate parent entity.

(j) Leases

Company as a lessee
The Company leases retirement village properties from related entities within the Australian Unity Group. While lease contracts are typically made for fixed periods, they have varying terms and renewal rights. On renewal, the terms of the leases can be renegotiated.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Initial measurement
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option; and
- lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company considers any recent external borrowing received, including any changes in financing conditions since the borrowing is received. The Company applies a three-month bank bill swap curve plus a margin that reflects the credit risk to determine the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly consist of computer equipment.

Subsequent measurement
Subsequent to the initial recognition, lease liabilities are adjusted by the interest charges, lease payments made and any re-measurement to reflect reassessment or lease modifications.
When the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to the initial recognition, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

19 Material accounting policies (continued)

(j) Leases (continued)

Extension and termination options
Extension and termination options are included in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term for accounting, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors to be considered include, but are not limited to, historical lease duration, costs and business disruption required to replace the leased assets, the amount of termination penalties and remaining value of any leasehold improvements. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The extension options, if any, have not been included in the lease liability as the Company could replace the leases without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

Company as a lessor
The Company classifies leases as an operating or finance lease based on whether substantially all the risks and rewards are transferred to the lessee. For sub-leases, the classification is performed by reference to the head lease. Leases with residents of aged care facilities are classified as operating leases.

For residents of aged care facilities who have opted a Refundable Accommodation Deposits (RAD) arrangement, the Company has determined that the adoption of AASB 16 define this arrangement to be a lease for accounting purposes with the Company acting as the lessor. Where residents have opted to pay a Daily Accommodation Payment, the Company records the income under AASB 16 on a daily basis.

Under a RAD arrangement, the Company recognises as revenue an imputed non-cash accommodation charge representing the resident's right to occupy a room under the arrangement. This revenue is calculated by applying the Maximum Permissible Interest Rates (MPIR), as regulated by the Department of Health and Aged Care, to the outstanding balances of RAD during the reporting period. An imputed non-cash finance cost on the RAD balance is also recognised at the same amount of the imputed revenue, resulting in a nil impact to the profit or loss for the reporting period.

(k) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and advances are recognised on trade date. The amounts are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. Loans and advances are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and there has been a transfer of substantially all the risks and rewards of ownership.

Impairment
The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its loan assets carried at amortised cost. The recognition of impairment depends on whether there has been a significant increase in credit risk.

The Company applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

- Stage 1: 12-months ECL
  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

- Stage 2: Lifetime ECL- not credit impaired
  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

19 Material accounting policies (continued)

(k) Loans and advances (continued)

- Stage 3: Lifetime ECL - credit impaired
  Loan assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under AASB 139, the Company's methodology for specific provisions remains unchanged. For loan assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for loan assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company uses its internal credit risk review, external risk ratings and forecast information to assess deterioration in credit quality of a loan asset.

The amount of ECL is measured as the probability-weighted amount of the present value of all reasonable cash shortfalls over the expected life of the loans discounted at the effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive.

The Company considers its historical loss experience and adjusts this for current observable data. In addition, the Company uses reasonable and supportable forecasts of future economic conditions including macroeconomic factors and how changes in these factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of ECL is recognised using a provision for doubtful debts account. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

(l) Refundable accommodation deposits

Refundable accommodation deposits represent payments received from the residents of aged care facilities as upfront deposits for their aged care accommodation. Residents have the ability to pay the deposits up to six months after moving into an aged care facility. These deposits are non-interest bearing and are repayable within 14 days of a resident's departure from the facility or within 14 days of the granting of probate. Regulations restrict the permitted use of the accommodation deposits to repayment of accommodation deposit balances, capital expenditures of residential aged care facilities and investments in qualified financial products.

(m) Revenue recognition

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The Company generates revenue mainly through its operation and management of residential aged care facilities. Revenue is recognised based on the delivery of performance obligations by the Company and an assessment of when the control is transferred to the customer. The revenue recognition is either at a point in time when the performance obligation in the contract has been completed by the Company or over time when the customer simultaneously receives the benefits from the services provided by the Company as the Company performs under the contract.

The transaction price is measured at contract inception, being the amount to which the Company expects to be entitled and to which it has rights under the contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on certain achievements. Such amounts are only included based on the expected value or the most likely outcome, and only to the extent that it is highly probable that no revenue reversal will occur.

When applicable, the Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. The transaction price is adjusted for the time value of money where the period between the transfer of the promised services to the customers and payment made by the customers exceeds one year.

Assets and liabilities recognised from contracts with customers
As a result of the contracts with customers, the Company recognises trade receivables and a number of contract assets and liabilities. Trade receivables are recognised when the Company has the right to consideration that is unconditional (no change in accounting policy). Contract assets are recognised when the Company has a conditional right to consideration for the services that have been provided to customers. Contract liabilities are recognised when the Company receives payments in advance for services that will be provided to customers.

19 Material accounting policies (continued)

(m) Revenue recognition (continued)

(i) Accrued and deferred income

Customer contracts generally include arrangements for payments dependent upon the nature and type of services being provided. Customer payments may be required at the inception of the contract (advance payment) or regular payments for ongoing service delivery or at the end of the contract (in arrears) or a combination of these with varied amounts. Accrued income is recognised as a contract asset for unbilled service revenue. Deferred income is recognised as a contract liability where a customer pays in advance or pays a deposit prior to the delivery of the contracted services. On the balance sheet, deferred income is presented as part of Other current liabilities. The Company did not have accrued income as at the end of the reporting period.

(ii) Residential aged care service fees and subsidies

The service fees which are generated from provision of care services within residential aged care facilities are recognised over time when the customer simultaneously receives the benefits from the services provided under the contract.

Residential care fees are received from government subsidies and individual customers with the amount received from individuals based on a means assessment.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost. They are presented as current liabilities unless payment is not due within 12 months of the end of the reporting period.

(o) Investments in associates

Investments in associates are accounted for using the equity method. They are initially recorded at cost. Subsequent to initial recognition, the Company's share of profit or loss and other comprehensive income of associates is recognised until the date on which significant control ceases.

(p) New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting year and have not been early adopted by the Company. Where applicable, the Company will apply the new standards to the annual reporting periods beginning on or after the operative date. Based on the current assessment, the new accounting standards which have not been applied by the Company are not expected to have a material impact to the amounts reported in the Company’s financial statements in the current or foreseeable future reporting periods.

In the opinion of the directors of Australian Unity Care Services Pty Ltd ("the Company"):

(a) The financial statements and notes set out on pages 5 to 26, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date.

   (ii) complying with Australian Accounting Standards - General Purpose Financial Statements - Simplified Disclosures, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and

(b) There are reasonable grounds to believe that the Parent entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Lucinda Brogden
Director

Rohan Mead
Director

Melbourne
28 October 2024

KPMG

Independent Auditor's Report

To the shareholder of Australian Unity Care Services Pty Ltd

Opinion

We have audited the ***Financial Report*** of Australian Unity Care Services Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Balance sheet as at 30 June 2024
- Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Australian Unity Care Services Pty Ltd's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the Corporations Act, including giving a true and fair view of the financial position and performance of the Company, and that is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Shara Learmonth
Partner

Sydney
28 October 2024