

# **Southern Cross Care (Tasmania) Inc.**

**ABN: 18 773 507 851**

**Financial Report of Southern Cross Care (Tasmania) Inc.**

**For the Year Ended 30 June 2022**

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

For the Year Ended 30 June 2022

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# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Board's Report

30 June 2022

### 1. General information

#### Board members

The names of board members throughout the year and at the date of this report are:

Mr Stephen Shirley	
Dr Helen McArdle	(resigned 22 November 2021)
Mr Christopher Jones	
Mr John Shelverton	
Mrs Alex MacAskill	
Mr Damian Griffin	(resigned 25 May 2022)
Ms Maryanne Ingram	
Ms Alayne Baker	(appointed 28 March 2022)
Ms Judith Fishlock	(appointed 28 March 2022)
Mr Anthony Wyatt	(appointed 28 March 2022)
Mr Robert Gozzi	(appointed 28 March 2022 and resigned 16 August 2022)

#### Principal activities

The principal activities of the Association during the financial year were:

- providing residential aged care;
- providing independent living services; and
- providing home and community care.

#### Significant changes

Southern Cross Care (Tas.) Inc. and Mary's Grange Inc. amalgamated on 23 June 2022 to form Southern Cross Care (Tasmania) Inc. in accordance with the *Associations Incorporation Act 1964*. The newly formed association assumed the assets and took on the liabilities, rights and responsibilities of both associations from that date.

No other significant change in the nature of these activities occurred during the year.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Board's Report  
30 June 2022

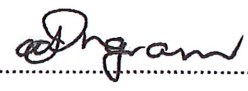
## 2. Operating results and review of operations for the year

### Operating result

The deficit of Southern Cross Care (Tasmania) Inc. for the financial year amounted to \$ 20,815,809 (2021: \$ 17,547,444).

Signed in accordance with a resolution of the Board members:

Chair:  .....

Treasurer:  .....

Dated this 31<sup>ST</sup> day of OCTOBER 2022

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Board's Declaration

- Per Section 60.15 of the *Australian Charities and Not-for profits Commission Regulation 2013*

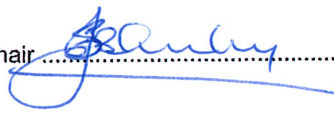
The Board declare that in the Board's opinion:

1. There are reasonable grounds to believe that Southern Cross Care (Tasmania) Inc. is able to pay all of its debts, as and when they become due and payable; and
2. The financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*.

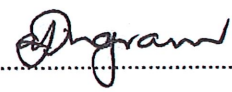
Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013

Signed in accordance with a resolution of the Board:

Chair .....



Treasurer .....



Dated this ..... day of ..... 2022

31<sup>st</sup> October

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Statement of Comprehensive Income For the Year Ended 30 June 2022

<b>Income</b>		
Government subsidies and supplements	58,480,749	53,768,471
Resident contributions	16,867,498	13,913,972
Retention income and deferred management fees	6,348,303	6,486,792
Service and maintenance charges	4,172,923	3,945,926
Interest received	3 111,770	299,971
Donations	161,381	33,009
Gain on disposal of assets	-	224,622
Other income	230,436	2,676,847
<b>Total Income</b>	<b>86,373,060</b>	<b>81,349,610</b>
<b>Expenses</b>		
Administration expenses	5,422,059	5,122,084
Salaries and wages	66,172,012	60,471,775
Other employee cost	4,680,805	4,042,922
Care and medical expenses	4,193,470	3,546,642
Food and nutrition	3,533,786	3,380,915
Accommodation costs	1,088,435	1,120,886
Property Cost	7,302,419	6,221,567
Capital refund and provision movement	3,211,682	2,034,927
Depreciation	6(a) 9,363,035	8,843,178
Finance costs	629,564	336,666
Goodwill impairment	-	562,879
Insurance	427,183	361,923
Interest on capital refunds	284,204	303,825
Loss on disposal of assets	147,901	-
Derecognition of buildings	6(a) -	2,370,974
Outbreak management cost	732,314	175,891
<b>Total Expenses</b>	<b>(107,188,869)</b>	<b>(98,897,054)</b>
<b>Net Surplus/(Deficit) for the year</b>	<b>(20,815,809)</b>	<b>(17,547,444)</b>
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>	<b>(20,815,809)</b>	<b>(17,547,444)</b>

The accompanying notes form part of these financial statements.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Statement of Financial Position As At 30 June 2022

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
Cash and cash equivalents	4	9,841,047	9,978,047
Trade and other receivables	5	5,182,599	2,975,854
Other financial assets		6,025,721	18,094,770
Intangible assets		6,012,093	6,012,093
Property, plant and equipment	6	347,104,028	353,404,606
Right-of-use assets		156,441	-
<b>TOTAL ASSETS</b>		<b>374,321,929</b>	<b>390,465,370</b>
<b>LIABILITIES</b>			
Trade and other payables	7	10,871,158	11,021,100
Other financial liabilities	11	-	3,431
Employee benefits	8	7,425,623	7,438,813
Short-term provisions	9	17,778,322	16,078,140
Borrowings	10	21,116,872	17,993,077
Lease liabilities		159,441	-
Other liabilities	12	234,684,727	234,829,214
<b>TOTAL LIABILITIES</b>		<b>292,036,143</b>	<b>287,363,775</b>
<b>NET ASSETS</b>		<b>82,285,786</b>	<b>103,101,595</b>
<b>EQUITY</b>			
Reserves	13	92,887,480	92,887,480
Accumulated surplus/(deficit)		(10,601,694)	10,214,115
<b>TOTAL EQUITY</b>		<b>82,285,786</b>	<b>103,101,595</b>

The accompanying notes form part of these financial statements.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Statement of Changes in Equity For the Year Ended 30 June 2022

2022

	Accumulated surplus / (deficit)	Asset revaluation reserve	Total
	\$	\$	\$
<b>Balance at 1 July 2021</b>	10,214,115	92,887,480	103,101,595
Net surplus/(deficit) for the year	(20,815,809)	-	(20,815,809)
<b>Balance at 30 June 2022</b>	<u>(10,601,694)</u>	<u>92,887,480</u>	<u>82,285,786</u>

2021

	Accumulated surplus / (deficit)	Asset revaluation reserve	Total
	\$	\$	\$
<b>Balance at 1 July 2020</b>	27,761,559	92,887,480	120,649,039
Net surplus/(deficit) for the year	(17,547,444)	-	(17,547,444)
<b>Balance at 30 June 2021</b>	<u>10,214,115</u>	<u>92,887,480</u>	<u>103,101,595</u>

The accompanying notes form part of these financial statements.



# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Statement of Cash Flows For the Year Ended 30 June 2022

	2022	2021
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from operations	78,828,034	74,708,690
Payments to suppliers and employees	(94,851,200)	(90,139,450)
Interest received	104,874	275,853
Interest paid	(906,872)	(333,582)
Net cash used in operating activities	<u>(16,825,164)</u>	<u>(15,488,489)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of plant and equipment	-	66,476
Purchase of property, plant and equipment	(3,171,252)	(9,244,633)
Purchase of other financial assets	-	(65,930)
Redemption of other financial assets	12,143,330	-
Net cash provided by investing activities	<u>8,972,078</u>	<u>(9,244,087)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of capitalised leases	(36,104)	-
Accommodation deposits received	30,635,401	29,406,341
Entry ingoings and deposits received	13,904,750	24,950,592
Accommodation deposits refunded	(29,061,373)	(33,898,047)
Ingoings/deposits refunded	(10,404,609)	(5,689,809)
Deeming and resident comfort accounts	(256,201)	(159,494)
Proceeds from borrowings	4,408,998	-
Repayment of borrowings	(1,474,776)	(1,000,673)
Net cash provided by financing activities	<u>7,716,086</u>	<u>13,608,910</u>
Net increase/(decrease) in cash and cash equivalents held	(137,000)	(11,123,666)
Cash and cash equivalents at beginning of year	<u>9,978,047</u>	<u>21,101,713</u>
Cash and cash equivalents at end of financial year	4 <u>9,841,047</u>	<u>9,978,047</u>

The accompanying notes form part of these financial statements.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

Southern Cross Care (Tasmania) Inc. (the Association) 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. Accordingly, the information in these financial statements has been prepared in accordance with the recognition and measurement requirements in Australian Accounting Standards and the disclosures in AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The adoption of AASB 1060 had no significant impact on the financial statements because the Association's previous financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards.

Southern Cross Care (Tas.) Inc. and Mary's Grange Inc. amalgamated during the year to form Southern Cross Care (Tasmania) Inc. in accordance with the *Associations Incorporation Act 1964*. The newly formed association assumed the assets and took on the liabilities, rights and responsibilities of both associations from 23 June 2022. Because the amalgamation did not result in any significant changes to operations, it was decided that, for reporting purposes, the newly formed association would continue to report on the same basis as the previously consolidated group.

### 1 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards Simplified Disclosure Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.

Southern Cross Care (Tasmania) Inc. is a not-for-profit organisation and these statements have been prepared on that basis. Some of the requirements for not-for-profit entities are inconsistent with the International Financial Reporting Standards.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected fixed assets, financial assets and financial liabilities. The amounts presented within the financial statements have been rounded to the nearest dollar.

#### Presentation of Statement of Financial Position on a Liquidity Basis

The Board has taken the view that in complying with the requirements of AASBs, the treatment of refundable loans (accommodation bonds, refundable accommodation deposits and entry contributions) as current liabilities does not reflect the true liquidity of the entity as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, the Board have chosen to present its statement of financial position under the liquidity presentation method (AASB 101 *Presentation of Financial Statements*) on the basis that it presents a more reliable and relevant view.

#### (b) Comparative Figures

When required comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (d) Trade and Other Receivables

The Association provides an allowance for losses on trade receivables based on a review of the current status of existing receivables, including forward looking information (Refer Note 1 (f)).

#### (e) Property, Plant and Equipment

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

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model. Increases in the carrying amount arising on revaluation are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of assets are charged against fair value reserve directly in equity; all other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

#### Land and Buildings

Land and buildings are measured using the revaluation model. An independent valuer's opinion of land and buildings was obtained as at 30 June 2019 from Herron Todd White. In periods when the land and buildings are not subject to an independent valuation, the Board conduct an assessment to ensure that the carrying amount is not materially different to the fair value of the underlying assets.

#### Classification of Retirement Village Buildings

The buildings associated with the retirement villages owned and operated by the Association have been classified as buildings and included as part of property, plant and equipment. Whilst these buildings are not occupied by the Association, and only earn rental income and yield capital gains upon turnover of the units, the Association has used the exemption open to not-for-profit entities under AASB 140 to classify the buildings as other than investment properties.

#### Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Board to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (e) Property, Plant and Equipment

##### Plant and Equipment - Fixed Assets Constructed

The cost of fixed assets constructed within the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. 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 Association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

##### Capital Works

All costs of a capital nature are to be capitalised if they increase the building's fair value. Costs of the project are to be classified as work in progress until the project has been completed. Upon completion, the asset is to be reclassified and depreciated at an appropriate rate. Any diminution of an asset is to be written off to the statement of comprehensive income.

##### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	10.0% - 33.0%
Motor Vehicles	20.0% - 25.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts are included in the revaluation reserve relating to that asset are transferred to the accumulated surplus.

#### (f) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (f) Fair Value Measurement

liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

#### (g) Impairment of Non-financial Assets

At the end of each reporting period the Association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

#### (h) Goodwill

Goodwill is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it may be impaired. The Association used fair value less costs of disposal to determine the recoverable amount of its assets. The assessment showed that the recoverable amount was higher than the carrying value and therefore no impairment loss was recognised.

#### (i) Financial Instruments

Financial instruments are recognised initially on the date that the Association becomes party to the contractual provisions of the instrument.

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

#### Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

On initial recognition, the Association classifies its financial assets into the following categories, those measured at:

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (i) Financial Instruments

##### Financial Assets

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income - equity instrument
- fair value through other comprehensive income - debt investments

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets.

##### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Association's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in the statement of comprehensive income.

##### *Fair value through other comprehensive income*

There are no financial assets at fair value through other comprehensive income.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (i) Financial Instruments

##### **Financial Assets**

*Fair Value through profit or loss*

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. Financial assets at fair value through profit and loss compromise the share portfolio.

Net gains or losses, including any interest or dividend income are recognised in the statement of comprehensive income.

##### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at fair value through other comprehensive income

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating expected credit losses, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Association's historical experience and informed credit assessment and including forward looking information.

The Association uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Association uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Association in full, without recourse by the Association to actions such as realising security (if any is held).

Credit losses are measured as the present value of the difference between the cash flows due to the Association in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

##### *Trade receivables*

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Association has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (i) Financial Instruments

##### Financial Assets

Where the Association renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income.

##### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

##### Financial Liabilities

The Association measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Association comprise trade payables, bank and other loans and lease liabilities.

#### (j) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Association during the reporting period which remain unpaid. The balance is recognised as at liability with the amounts normally paid within 30 days of recognition of the liability.

#### (k) Borrowings

Secured loans have been obtained. While some loans are interest free, these have not been discounted to present values. Carrying amounts therefore represent amount expected to be repaid at settlement.

#### (l) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on corporate bond rates with terms to maturity that match the expected timing of cashflows.



# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (m) Provisions

Provisions are recognised when the Association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### Provisions - Licence to Occupy Contracts (Capital Refunds)

The provision recognises the resident's portion of any future capital gain on increase in the value of the retirement village leases. The resident's portion varies from contract to contract from 0% - 100% of an future capital gain based on either the leasehold selling price or, in more recent lease contracts, the property valuation.

The Association has used relevant indices to estimate the liability as at financial year end. The provision for capital gain refunds liability is calculated annually based on the original incoming price compared with the available current data from either comparable leasehold sales, building valuations within the same village or indices of previous data. The movement is then multiplied by the relevant percentage noted in the resident agreement to determine the resident share to be provided for.

#### (n) Accommodation Deposits

Accommodation deposits are non-interest bearing deposits made by aged care facility residents to the Association upon their admission to accommodation. The liability is carried at the amount that would be payable on departure or transfer of the resident. This is the amount received on entry of the resident less deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Once a refunding event occurs the receivable becomes interest bearing. The interest rate varies according to Department of Health rates.

These funds are guaranteed under the Accommodation Bond (Guarantee Scheme) which came into operation on the 31 May 2006. The Guarantee Scheme enables the Commonwealth to step in and refund accommodation deposit or entry contribution balances to residents if the approved provider has defaulted on its financial obligations due to bankruptcy or insolvency. After the refunds have been made, the Commonwealth becomes the creditor (unsecured) for those amounts. The Commonwealth then pursues the defaulting approved provider for recovery of funds through normal insolvency procedures. The Guarantee Scheme is established under the *Aged Care (Bond Security) Act 2006 (Bonds Security Act)*.

The number and amounts repaid varies from year to year. Based on the immediate past payment history, it has been estimated that \$29,062,000 (2021: \$ \$31,016,226) will be repaid in the next 12 months. Should any variables change or the pattern of movement within the Association's aged care facilities change, then the amount estimated to be payable in the next 12 months could vary by a material amount.

#### (o) Entry Ingoings

Entry ingoings represent the amount payable to a resident on termination of the resident's occupation rights to an independent living unit in a retirement village. The liability is measured as the principal amount less accrued retention amounts.

The number and amounts repaid varies from year to year. Based on the immediate past payment history, it has been estimated that \$10,404,609 (2021: \$5,893,240) will be repaid in the next 12 months. Should any variables change, or the pattern of movement within the Association's aged care facilities change, then the amount estimated to be payable in the next 12 months could vary by a material amount.

# Southern Cross Care (Tasmania) Inc.

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## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (o) Entry Ingoings

Deferred management fees are not settled in cash until such time as the resident departs, accordingly a deferred management fee receivable is recognised on the statement of financial position. In accordance with the retirement village residency agreement, the Association has a legally enforceable right to set off the deferred management fee receivable with the resident entry ingoings. In practice the settlement of the asset and liability occur simultaneously. Accordingly, the asset and liability are offset and the net amount presented in the statement of financial position as a (net) resident entry ingoings liability. There is no credit risk because there is a legal right to set off against the resident entry ingoings owing. No impairment is recognised for these amounts.

#### (p) Deeming Fund

Monies received by the Deeming Fund and any income generated on those monies is to be used for the restricted purpose of purchasing capital expenditure items or the construction, extension or refurbishment of buildings that are associated with the provision of services for the residents of the Association.

#### (q) Leases

##### *Right-of-use asset*

At the lease commencement, the Association recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Association believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

##### *Lease liability*

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Association's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Association's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (r) Revenue and Other Income

##### *Revenue from contracts with customers*

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Association have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

##### *Income for Not-for-profit entities*

Other revenue falls within the scope of AASB 1058 *Income for Not-for-profit Entities*. Assets arising from revenue in scope of AASB 1058 (i.e. agreements that are not enforceable or do not have sufficiently specific performance obligations) are recognised at their fair value when the asset is received. These assets are generally cash, but may be property which has been donated or sold to the Association at significantly below its fair value. The Association then considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised, then income is recognised for any difference between the recorded assets and liability.

#### **Specific revenue streams**

##### *Government subsidies and supplements*

Government subsidies are based on the Aged Care Funding Instrument ("ACFI") assessment and recognised on an ongoing daily basis. The Federal Government also pays accommodation and other supplements on a per resident per day basis. The amount of supplement payments is determined by a range of factors, including the residents care needs; whether the home has been significantly refurbished; levels of supported resident ratios at the home; and the financial means of the resident. If the resident has been assessed by the Federal Government as having the financial means, an additional means tested care fee is payable by the resident as a contribution towards the cost of care services. Revenue from Government subsidies, supplements and means-tested care fees is recognised over time as the services are provided.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (r) Revenue and Other Income *Basic daily fees*

The Basic Daily Fee is a daily living expense paid by all residents as a contribution towards everyday living expenses. This fee is calculated daily in accordance with the rates set by Federal Government and invoiced on a monthly basis. This is also calculated on a daily basis and invoiced monthly. Revenue from basic daily care fees is recognised over time as the services are provided.

#### *Other resident fees*

These include fees for the provision of accommodation and additional services to residents, charged to residents under mutually agreed terms and conditions. Other resident fees are recognised over time as the services are provided.

#### *Government grants, donations and bequests*

When the Association receives government grants, donations and bequests that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the Association to further its objectives), it performs an assessment to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations. In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not 'enforceable' or the performance obligations are not 'sufficiently specific'), the transaction is accounted for under AASB 1058 where Southern Cross Care (Tasmania) Inc.:

Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards (e.g. AASB 9, AASB 16, AASB 116 and AASB 138)

Considers whether any other financial statement elements should be recognised ('related amounts') in accordance with the relevant applicable Australian Accounting Standard including:

- contributions by owners (AASB 1004)
- a lease liability (AASB 16)
- a financial instrument (AASB 9)
- a provision (AASB 137)

Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 1 Summary of Significant Accounting Policies

#### (r) Revenue and Other Income

##### *Retention income*

Retirement village agreements are considered operating leases under Australian Accounting Standards with the Association as the lessor. The agreements are serviced through payment of a Deferred Management Fee (DMF) to the Association. on termination of each agreement. The DMF is retained from the balance of the refundable licence contribution received under the arrangement and is recognised as income over the estimated tenancy period.

##### *Interest*

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

#### (s) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

#### (t) Income Tax

No provision for income tax has been raised as the Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

#### (u) New Accounting Standards and Interpretations

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Association. These include:

AASB 2020-1: Amendments to AASs - Classification of Liabilities as Current or Non-current (effective for the year ending 30 June 2023)

The Association has not yet assessed the specific financial reporting impacts of these standards.

### 2 Critical Accounting Estimates and Judgments

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements in future periods could be significant.

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 2 Critical Accounting Estimates and Judgments

The significant estimates and judgements made have been described below.

#### *Key estimates - revenue recognition*

For many of the grant agreements received, the determination of whether the contract includes sufficiently specific performance obligations was a significant judgement involving discussions, review of the grant documents and consideration of the terms and conditions. Grants received by the Association have been accounted for under AASB 15 and/or AASB 1058 depending on the terms and conditions and decisions made. If this determination was changed then revenue recognition pattern would be different from that recognised in this financial report.

The deferred management fees relating to independent living units are brought to account over the period representing the estimated expected occupancy period of residents. In 2022 the estimated period approximates the period of deferred management fee retention. If this expected tenure of occupancy alters then the pattern would be different from that recognised in this financial report.

#### *Key estimates - property held at fair value*

An independent valuation of property (land and buildings) carried at fair value was obtained on 30 June 2019. In the intervening periods, the Board review the valuation and update, where appropriate, based on the best information available, such as valuation indexes for the area in which the property is located. The valuation is an estimation which would only be realised if the property is sold.

As a not-for-profit aged care provider, it is the business model to hold and operate all properties, with the Association having a long term commitment to using the properties in aged care regardless of fair value fluctuations.

#### *Key estimates - provisions - licence to occupy contracts (capital refunds)*

The provision recognises the resident's portion of any future capital gain on increase in the value of the retirement village leases. The resident's portion varies from contract to contract from 0% - 100% of any future capital gain based on either the leasehold selling price or, in more lease recent contracts, the property valuation.

The Association has used relevant indices within the same retirement village to estimate the liability as at financial year end. The provision for capital gain refunds liability is calculated annually based on the original incoming price compared with the available current data from either comparable leasehold sales, building valuations within the same village or indices of previous data. The movement is then multiplied by the relevant percentage noted in the resident agreement to determine the resident share to be provided for.

The Association is a not-for-profit organization which is principally engaged in the provision of residential care, home and community services and retirement living. The aged care sector is experiencing significant challenges when it comes to the level of government funding and the cost of direct care. Revenue for the aged care sector is forecast to continue growing due to the increase in aging population and the growing need for age-appropriate accommodation. The Association considered its current and expected profitability and cash flow projections in light of government reforms when assessing whether the going concern basis of preparation of the financial report is appropriate. There has been a significant growth in the average basic subsidy received over the past 12 months and an analysis of the impact of the new funding model on the Association's revenue from the government subsidies has shown a sizeable without the need to incur additional costs. Occupancy forecast is to be maintained and starting September 2022 the Association implemented additional services in all of its residential aged care facilities as an additional source of revenue. Vacancies in retirement villages are low with waiting lists in place and the Association has further strategies in place to expand its service offerings which will bring additional revenue. The Association is working with its financial services provider to ensure ongoing access to banking facilities necessary to maintain prudential compliance and roll-over maturing loans. The Association has sufficient cash and access to funds to repay existing loans as and when they mature.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 3 Interest Revenue

	2022	2021
	\$	\$
Interest revenue from:		
- Entry ingoings	8,841	24,117
- Term deposits	102,929	275,854
	<u>111,770</u>	<u>299,971</u>

### 4 Cash and Cash Equivalents

	2022	2021
	\$	\$
Cash on hand	90,908	34,932
Bank balances	9,750,139	9,943,115
	<u>9,841,047</u>	<u>9,978,047</u>

### 5 Trade and Other Receivables

	2022	2021
	\$	\$
<b>Expected to be settled within 12 months</b>		
Trade and other receivables (cost)	5,501,018	3,294,273
Provision for impairment / expected credit losses	(318,419)	(318,419)
	<u>5,182,599</u>	<u>2,975,854</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

#### (a) Impairment of receivables

The Association applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2022 is determined as follows, the expected credit losses incorporate forward looking information.

#### Reconciliation of changes in the provision for impairment of receivables is as follows:

	2022	2021
	\$	\$
Balance at beginning of the year	318,419	30,000
Movement through provision	-	288,419
<b>Balance at end of the year</b>	<u>318,419</u>	<u>318,419</u>

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 5 Trade and Other Receivables

The Association measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

### 6 Property, Plant and Equipment

	2022	2021
	\$	\$
Land and buildings		
Freehold land		
At independent valuation	43,720,008	43,720,008
Buildings		
At independent valuation	246,420,000	246,420,000
At cost	73,656,392	73,098,707
Accumulated depreciation	(21,856,580)	(13,866,424)
Total buildings	298,219,812	305,652,283
Total land and buildings	341,939,820	349,372,291
Capital works in progress		
At Cost	1,910,915	588,580
Total capital works in progress	1,910,915	588,580
Plant and equipment		
At cost	15,239,505	15,443,874
Accumulated depreciation	(12,336,363)	(12,389,938)
Total plant and equipment	2,903,142	3,053,936
Motor vehicles		
At cost	1,880,464	1,805,784
Accumulated depreciation	(1,530,313)	(1,415,985)
Total motor vehicles	350,151	389,799
<b>Total property, plant and equipment</b>	<b>347,104,028</b>	<b>353,404,606</b>



# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 6 Property, Plant and Equipment

#### (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2022</b>						
Balance at the beginning of year 2021	\$ 588,580	\$ 43,720,008	\$ 305,652,282	\$ 3,053,936	\$ 389,800	\$ 353,404,606
Additions	1,322,335	-	557,686	1,200,547	90,680	3,171,248
Disposals - written down value	-	-	-	(147,901)	-	(147,901)
Depreciation expense	-	-	(7,990,156)	(1,203,440)	(130,329)	(9,323,925)
<b>Balance at the end of the year</b>	<b>\$ 1,910,915</b>	<b>\$ 43,720,008</b>	<b>\$ 298,219,812</b>	<b>\$ 2,903,142</b>	<b>\$ 350,151</b>	<b>\$ 347,104,028</b>
<b>Year ended 30 June 2021</b>						
Balance at the beginning of year 2020	\$ 37,233,023	\$ 40,070,996	\$ 254,720,659	\$ 2,459,648	\$ 436,682	\$ 334,921,008
Additions	1,922,839	3,649,012	23,040,905	985,485	134,853	29,733,094
Disposals - written down value	-	-	-	-	(35,346)	(35,346)
Transfer	(38,567,282)	-	37,958,510	608,772	-	-
Depreciation expense	-	-	(7,696,818)	(999,969)	(146,389)	(8,843,176)
Derecognition of assets	-	-	(2,370,974)	-	-	(2,370,974)
<b>Balance at the end of the year</b>	<b>\$ 588,580</b>	<b>\$ 43,720,008</b>	<b>\$ 305,652,282</b>	<b>\$ 3,053,936</b>	<b>\$ 389,800</b>	<b>\$ 353,404,606</b>

Depreciation expense of \$9,363,035 (2021: \$8,843,178) includes amortisation of a right-of-use asset relating to an operating lease of \$39,110 (2021: \$nil) recognised during 2021-2022.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 7 Trade and Other Payables

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	4,303,317	6,401,803
Employee benefits	-	(889)
Sundry payables and accrued expenses	6,075,866	2,057,184
Community CDC accounts	491,975	2,778,301
Other payables	-	(215,299)
	<u>10,871,158</u>	<u>11,021,100</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 8 Employee Benefits

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Expected to be settled within 12 months</b>		
Annual leave	4,652,992	4,136,951
Long service leave	2,191,932	2,585,802
	<u>6,844,924</u>	<u>6,722,753</u>
<b>Not expected to be settled within 12 months</b>		
Long service leave	580,699	716,060
	<u>580,699</u>	<u>716,060</u>
Total employee benefits	<u>7,425,623</u>	<u>7,438,813</u>

#### (a) Movements in carrying amounts of Employee benefits

	<b>Annual leave</b>	<b>Long service</b>	<b>Total</b>
	<b>\$</b>	<b>leave</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance at 1 July 2021	4,136,951	3,301,862	7,438,813
Leave taken	(5,407,545)	(305,001)	(5,712,546)
Leave accrued	5,923,586	(224,230)	5,699,356
<b>Balance at 30 June 2022</b>	<u>4,652,992</u>	<u>2,772,631</u>	<u>7,425,623</u>

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 9 Provisions

	2022	2021
	\$	\$
Provision for resident share of capital gain		
Expected to be settled within 12 months	1,511,500	119,783
Not expected to be settled within 12 months	16,266,822	15,958,357
<b>Total provisions</b>	<u>17,778,322</u>	<u>16,078,140</u>

(a) Movement in carrying amounts - detailed table

	Resident share of capital gain	Total
	\$	\$
Opening balance at 1 July 2021	16,078,140	16,078,140
Additional provisions	3,211,682	3,211,682
Provisions used	(1,511,500)	(1,511,500)
<b>Balance at 30 June 2022</b>	<u>17,778,322</u>	<u>17,778,322</u>

### 10 Borrowings

	2022	2021
	\$	\$
<b>Expected to be settled within 12 months</b>		
Loan - Catholic Development Fund Tasmania	537,276	537,276
Loan - Department of Health and Ageing	937,500	937,500
	<u>1,474,776</u>	<u>1,474,776</u>
<b>Not expected to be settled within 12 months</b>		
Loan - Catholic Development Fund Tasmania	8,460,846	4,399,551
Loan - Department of Health and Ageing	11,181,250	12,118,750
	<u>19,642,096</u>	<u>16,518,301</u>
<b>Total borrowings</b>	<u>21,116,872</u>	<u>17,993,077</u>

### 11 Other Financial Liabilities

	2022	2021
	\$	\$
Government grants	-	3,431
	<u>-</u>	<u>3,431</u>

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 12 Other Liabilities

		2022	2021
		\$	\$
<b>Expected to be settled within 12 months</b>			
Accommodation deposits	1(n)	29,062,000	31,016,227
Entry ingoings		10,404,609	5,689,809
		<u>39,466,609</u>	<u>36,706,036</u>
<b>Not expected to be settled within 12 months</b>			
Accommodation deposits	1(n)	65,603,912	62,224,896
Entry ingoings	1(o)	128,704,141	134,732,016
Deeming fund	1(p)	225,000	327,387
Resident comfort accounts		685,065	838,879
		<u>195,218,118</u>	<u>198,123,178</u>
		<u>234,684,727</u>	<u>234,829,214</u>

### 13 Asset Revaluation Reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

### 14 Capital and Leasing Commitments

#### (a) Contracted Commitments

	2022	2021
	\$	\$
Ainslie Aged Care Facility - Flooring	110,974	-
Ainslie Aged Care Facility - Plumbing	32,676	-
Sandown Village - HVAC Upgrade	600,992	1,340,300
	<u>744,642</u>	<u>1,340,300</u>

### 15 Operating Segments

The Association has identified its operating segments based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Association is managed primarily on the basis of product category and service offerings as the diversification of the Association's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

#### (i) Business Segments

The Association has three business segments being Residential Aged Care, Retirement Villages and Community Care.

#### (ii) Geographic Segments

The Association's business segments are all located in Tasmania, across three major population regions: South, North and the North-West.

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 15 Operating Segments

	Residential Age Care		Retirement Villages		Community Care		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>										
Government subsidies	51,739,871	47,957,584	-	-	6,640,892	5,251,856	99,985	-	58,480,748	53,209,440
Resident charges	16,143,207	15,860,406	4,276,703	4,294,646	620,511	696,750	-	-	21,040,421	20,851,802
Retentions/Deferred management fee	-	-	6,348,303	6,486,791	-	-	-	-	6,348,303	6,486,791
Interest income	-	24,118	8,841	-	-	-	102,930	275,854	111,771	299,972
Donations	781	7,472	500	537	-	-	160,100	25,000	161,381	33,009
Other income	81,599	212,975	18,972	(237,412)	27,099	47,165	102,766	445,868	230,436	468,596
<b>Total segment revenue</b>	<b>67,965,458</b>	<b>64,062,555</b>	<b>10,653,319</b>	<b>10,544,562</b>	<b>7,288,502</b>	<b>5,995,771</b>	<b>465,781</b>	<b>746,722</b>	<b>86,373,060</b>	<b>81,349,610</b>
Depreciation expense	3,983,416	3,680,434	4,792,162	4,678,222	83,762	77,218	503,691	407,306	9,363,031	8,843,180
Care employee costs	50,045,442	45,833,711	-	-	4,542,113	3,304,882	773,552	1,357,370	55,361,107	50,495,963
Other employee costs	9,276,116	9,108,301	258,879	638,877	426,690	400,424	485,466	385,461	10,447,151	10,533,063
Other expenses	20,027,833	9,763,404	6,879,357	3,444,429	5,912,142	2,027,951	(17,976,706)	(158,906)	14,842,626	15,076,878
Care expenses	4,366,829	3,932,268	1,313	22,266	(48,268)	(187,965)	1,302	319	4,321,176	3,766,888
Administration employee costs	342,871	387,069	65,217	(81,631)	145,951	99,497	1,593,623	852,513	2,147,662	1,257,448
Motor vehicle expenses	72,879	62,076	11,917	19,992	17,232	10,071	49,773	25,989	151,801	118,128
General insurance	-	-	-	-	-	-	427,183	361,923	427,183	361,923
Repairs and maintenance	2,108,557	1,795,558	1,552,962	1,012,300	33,865	57,710	89,410	87,748	3,784,794	2,953,316
Staff on-costs	1,417,362	2,339,166	16,308	37,185	98,476	169,902	1,364,752	(317,626)	2,896,898	2,228,627
Utility expenses	2,335,110	2,243,683	1,040,389	1,049,578	31,173	5,052	38,766	(36,673)	3,445,438	3,261,640
<b>Total segment expenses</b>	<b>93,976,417</b>	<b>79,145,670</b>	<b>14,618,504</b>	<b>10,821,218</b>	<b>11,243,136</b>	<b>5,964,742</b>	<b>(12,649,188)</b>	<b>2,965,424</b>	<b>107,188,869</b>	<b>98,897,054</b>
<b>Net surplus/(deficit) for the year</b>	<b>(26,010,959)</b>	<b>(15,083,115)</b>	<b>(3,965,185)</b>	<b>(276,656)</b>	<b>(3,954,634)</b>	<b>31,029</b>	<b>13,114,969</b>	<b>(2,218,702)</b>	<b>(20,815,809)</b>	<b>(17,547,444)</b>

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 15 Operating Segments

#### Segment assets

	Residential Age Care		Retirement Villages		Community Care		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other assets	1,288,242	501,793	7,442	25,000	-	-	19,753,678	30,521,878	21,049,362	31,048,671
Non-current assets	6,012,093	6,012,093	-	-	-	-	156,441	-	6,168,534	6,012,093
Land and buildings	320,423,717	327,537,883	21,516,108	21,834,408	-	-	-	-	341,939,825	349,372,291
Plant and equipment	4,207,510	3,443,735	70,053	-	-	-	886,645	588,580	5,164,208	4,032,315
<b>Total segment assets</b>	<b>331,931,562</b>	<b>337,495,504</b>	<b>21,593,603</b>	<b>21,859,408</b>	<b>-</b>	<b>-</b>	<b>20,796,764</b>	<b>31,110,458</b>	<b>374,321,929</b>	<b>390,465,370</b>

#### Segment liabilities

	Residential Age Care		Retirement Villages		Community Care		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Segment liabilities</b>										
Expected within 12 months	29,999,848	36,705,815	12,141,109	6,987,671	491,975	2,778,301	18,483,642	11,593,051	61,116,574	58,064,838
Not expected within 12 months	76,785,162	74,343,646	144,970,963	149,839,680	-	-	9,163,444	5,115,611	230,919,569	229,298,937
<b>Total segment liabilities</b>	<b>106,785,010</b>	<b>111,049,461</b>	<b>157,112,072</b>	<b>156,827,351</b>	<b>491,975</b>	<b>2,778,301</b>	<b>27,647,086</b>	<b>16,708,662</b>	<b>292,036,143</b>	<b>287,363,775</b>

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 16 Auditors' Remuneration

	2022	2021
	\$	\$
Remuneration of the auditor, Crowe Audit Australia, for:		
- audit of the financial report and villa financial report	54,400	54,815
- preparation of the financial report	5,000	5,100
- audit of the Annual Prudential Compliance Statement (APCS)	1,800	1,700
<b>Total</b>	<b>61,200</b>	<b>61,615</b>

### 17 Underpaid remuneration

During the year, the Association has completed a review of its payroll and rostering systems. The review identified underpayments to staff of \$6,838,037 for the period of six years to the 2022 reporting date, including interest and superannuation. The underpayment was accounted for as a prior period error in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as follows:

Reporting period	Amount recognised
2021 - 2022	\$773,542
2020 - 2021	\$1,357,370
Prior to 2020-2021	\$4,707,125

The following restatements to the 2021 reporting figures were made to correct the error for prior periods:

#### Statement of Comprehensive Income:

	2021 Audited Financials	Restatement	2021 Restated Figures
	\$	\$	\$
Total Expenses	(97,539,684)	(1,357,370)	(98,897,054)
Net Surplus/(deficit) for the year	(16,190,074)	(1,357,370)	(17,547,444)

#### Statement of Financial Position:

	2021 Audited Financials	Restatement	2021 Restated Figures
	\$	\$	\$
Trade and other receivables	2,760,554	215,300	2,975,854
Total Assets	390,250,070	215,300	390,465,370
Trade and other payables	4,741,305	6,279,795	11,021,100
Total Liabilities	281,083,980	6,279,795	287,363,775
Net Assets	109,166,090	6,064,495	103,101,595

#### Statement of Changes in Equity:

Accumulated Surplus	2021 Audited Financials	Restatement	2021 Restated Figures
	\$	\$	\$
Balance as at 1 July 2020	32,468,684	(4,707,125)	27,761,559
Net Surplus/(deficit) for the year	(16,190,074)	(1,357,370)	(17,547,444)
Balance as at 30 June 2021	(16,278,610)	(6,064,495)	10,214,115

# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 18 Related Parties

- (a) The Association's main related parties are as follows:

Key management personnel - refer to Note 19.

Southern Cross Care (Tas.) Inc. and Mary's Grange Inc. amalgamated during the year to form Southern Cross Care (Tasmania) Inc. Prior to the amalgamation, the two entities traded with one another on normal commercial terms.

- (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- (c) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

### 19 Key Management Personnel Remuneration

Total remuneration paid to key management personnel of the Association was \$1,316,635 (2021: \$1,304,223).

### 20 Contingent Assets and Contingent Liabilities

#### Liabilities

There are no contingent liabilities or contingent assets to be disclosed at 30 June 2022 (30 June 2021:None).

### 21 Events After the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Association, the results of those operations, or the state of affairs of the Association in future financial years.

### 22 Economic Dependency

The ongoing viability of the Association as a going concern is dependent upon the ongoing receipt of Federal Government funding, through the Department of Health and Ageing.



# Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

## Notes to the Financial Statements For the Year Ended 30 June 2022

### 23 Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. With regard to the reported financial position and results of the Association, the following factors are considered relevant when assessing the Association's ability to continue as a going concern.

The Association is a not-for-profit organisation which is principally engaged in the provision of residential care, home and community services and retirement living. The aged care sector is experiencing significant challenges when it comes to the level of government funding and the cost of direct care. Revenue for the aged care sector is forecast to continue growing due to ageing population and the growing need for age-appropriate accommodation. The Association considered its current and expected profitability and cash flow projections in light of government reforms when assessing whether the going concern basis of preparation of the financial report is appropriate. There has been a significant growth in the average basic subsidy received over the past 12 months and an analysis of the impact of the new funding model on the Association's revenue from the government subsidies has shown a sizeable uplift without the need to incur additional costs. Occupancy is forecast to be maintained and starting September 2022 the Association implemented additional services in all of its residential aged care facilities as an additional source of revenue. Vacancies in retirement villages are low with waiting lists in place and the Association has further strategies in place to expand its service offerings which will bring additional revenue.

The Association has positive net assets and is monitoring liquidity and reporting its position to the Board on a monthly basis. As discussed in note 1(a), The Board has taken the view that in complying with the requirements of accounting standards and disclosing refundable loans (accommodation bonds, refundable accommodation deposits and entry contributions) as current liabilities does not reflect the true liquidity of the Association as these liabilities are not likely to be repaid in the next 12 months. This is also the case when it comes to annual and long service leave provisions and the provision for resident share of capital gain. For example, outgoing residents in lifestyle villages are repaid their balance of entry contribution and share of capital gain after the next resident takes occupancy of the villa or unit (or within six months after termination). Because the Association operates a number of residential aged care facilities which are co-located within lifestyle villages, residents often transfer their remaining entry contributions towards the cost of the room in the aged care facility. Furthermore, repaid refundable accommodation deposits are often replaced by refundable accommodation deposits of the incoming resident.

The Association is working with its financial services provider to ensure ongoing access to banking facilities necessary to maintain prudential compliance and roll-over maturing loans. The Association has sufficient cash and access to funds to repay existing loans as and when they mature and therefore expects to realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report.

### 24 Association Details

The registered office and principal place of business of the Association is:

Southern Cross Care (Tasmania) Inc.  
85 Creek Road  
New Town TAS 7008