SOUTHERN CROSS CARE (TASMANIA) INC.

ABN: 18 773 507 851

Financial Report of Southern Cross Care (Tasmania) Inc.

For the Year Ended 30 June 2023

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For the Year Ended 30 June 2023

Contents

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Board's Report
30 June 2023

Board Members

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

Mr Stephen Shirley
Ms Judith Fishlock
Mrs Alex MacAskill
Ms Alayne Baker
Mr Anthony Wyatt
Mr Esteban Cox (appointed 21 November 2022)
Ms Sonya Beyers (appointed 21 November 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

There have been no significant changes to the nature of Southern Cross Care's operations in the 2022-2023 year. There has been no change to the number or location of Residential Aged Care homes or Retirement villages operated by Southern Cross Care.

Subsequent events

On 11 August 2023, Southern Cross Care announced the retirement of S Shirley as the Chair of the Board and the appointment of J Fishlock as the Acting Chair. On 22 August 2023, Southern Cross Care announced the resignation of the Chief Executive Officer, R Boyd and the appointment of J Dean as the Interim Chief Executive Officer.

Operating result

The surplus/(deficit) of Southern Cross Care (Tasmania) Inc. for the financial year amounted to ($8,749,193) compared to the previous year (2022: deficit $20,815,809). Signed in accordance with a resolution of the Board members:

Acting Chair: JFishlock .... Treasurer: ....

Dated this ......31st...... day of ......October...... 2023

Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Statement of Comprehensive Income

For the Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue			
Government Subsidies		64,858	58,481
Resident Charges		23,205	21,040
Retention Income and Deferred Management Fees		6,137	6,348
Interest Received	3	238	112
Donations		163	161
Other Income		721	230
Total Revenue		**95,322**	**86,373**
Expenses			
Employee Related Expenses		64,142	65,431
Capital Refund and Provision Movement		1,482	2,497
Administration Expenses		5,477	5,422
Depreciation and Amortisation	7(a),8	9,250	9,363
Finance Costs		8	630
Repairs and Maintenance		3,763	3,459
Utility Expenses		2,911	2,714
Care Expenses		2,404	4,193
Catering Costs		3,433	3,534
Motor Vehicle Expenses		151	410
IT Support Costs		1,498	950
Other Expenses		9,552	9,535
Total Expenses		**104,071**	**107,189**
Net Surplus/ (Deficit) for the Year		**(8,749)**	**(20,816)**
Other Comprehensive Income		-	-
Total Comprehensive Income/(Deficit) for the Year		**(8,749)**	**(20,816)**

The accompanying notes form part of these financial statements.

Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Statement of Financial Position

For the Year Ended 30 June 2023

ASSETS	Note	2023	2022
		$'000	$'000
CURRENT ASSETS			
Cash and Cash Equivalents	4	3,069	9,841
Trade and Other Receivables	5	6,988	5,183
Other Financial Assets		6,147	6,026
Total Current Assets		**16,206**	**21,049**
NON-CURRENT ASSETS			
Goodwill and Intangible Assets	6,1(h)	6,611	6,012
Property, Plant and Equipment	7	341,251	347,104
Right-of-Use Assets	8	260	156
Total Non-Current Assets		**348,124**	**353,273**
Total Assets		**364,330**	**374,322**
LIABIITIES			
CURRENT LIABILITIES			
Trade and Other Payables	9	5,519	11,579
Employee Benefits	10	6,452	6,837
Provisions	11	1,482	1,512
Borrowings	12	7,712	1,475
Lease Liabilities	1(q),8	90	38
Other Liabilities	13	36,258	39,467
Total Current Liabilities		**57,513**	**60,907**
NON-CURRENT LIABILITIES			
Employee Benefits	10	603	589
Provisions	11	16,296	16,267
Borrowings	12	13,970	19,642
Lease Liabilities	8	185	122
Other Liabilities	13	202,935	195,218
Total Non-Current Liabilities		**233,989**	**231,838**
Total Liabilities		**291,502**	**292,744**
NET ASSETS		**72,828**	**81,578**
EQUITY			
Reserves	13	92,887	92,887
Accumulated surplus/(deficit)		(20,059)	(11,310)
TOTAL EQUITY		**72,828**	**81,578**

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 2023

	Note	2023	2022
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Operations		86,423	78,828
Payments to Suppliers and Employees		(97,707)	(94,851)
Interest Received		238	105
Interest Paid		(1,595)	(907)
Net Cash Used in Operating Activities		**(12,641)**	**(16,825)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Property, Plant and Equipment		230	-
Purchase of Property, Plant and Equipment		(3,566)	(3,171)
Redemption of Other Financial Assets		-	12,143
Net Cash Provided by Investing Activities		**(3,336)**	**8,972**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments Capitalised Leases		(51)	(36)
Accommodation Deposits Received		33,411	30,635
Accommodation Deposits Refunded		(28,121)	(29,061)
Entry Ingoings and Deposits Received		12,558	13,905
Entry Ingoings and Deposits Refunded		(8,398)	(10,405)
Deeming and Resident Comfort Accounts		(20)	(256)
Proceeds from Borrowings		1,829	4,409
Repayments of Borrowings		(1,402)	(1,475)
Purchase of Intangible Assets		(600)	-
Net Cash Provided by Financing Activities		**9,206**	**7,716**
Net Increase/ (Decrease) in Cash and Cash Equivalents Held		(6,771)	(137)
Cash and Cash Equivalents at Beginning of Financial Year		9,841	9,978
Cash and Cash Equivalents at End of Financial Year	4	**3,070**	**9,841**

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 2023

	Accumulated Surplus / (Deficit)	Asset Revaluation Reserve	Total
	$'000	$'000	$'000
Balance at 1 July 2022	(11,310)	92,887	81,578
Net Surplus/(Deficit) for The Year	(8,749)	-	(8,749)
Other Comprehensive Income	-	-	-
Balance at 30 June 2023	**(20,059)**	**92,887**	**72,829**
Balance at 1 July 2021	9,506	92,887	102,394
Net Surplus/(Deficit) for The Year	(20,816)	-	(20,816)
Other Comprehensive Income	-	-	-
Balance at 30 June 2022	**(11,310)**	**92,887**	**81,578**

The accompanying notes form part of these financial statements.

This financial report covers Southern Cross Care (Tasmania) Inc. Southern Cross Care (Tasmania) inc. (the Association) is an association incorporated in Tasmania. The principal activity of the Association during the year was to care for elderly and other appropriate persons in and outside of accommodation provided by the Association. This care is provided through residential services, home and community services and retirement housing.

These financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities* and the disclosure requirements in AASB 1060, except for the disclosure requirements in AASB 9 *Financial Instruments (Note 12)* . Accordingly, except for this adjusted treatment the financial statements comply with Australian Accounting Standards - Simplified Disclosures.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures, the *Australian Charities and Not-for-Profit Commission Act 2012,* and the *Associations Incorporation Act (TAS) 1964.* The Association is a not-for-profit entity for financial reporting purposes.

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 cost of the selected fixed assets, financial assets and financial liabilities.

The amounts presented within the financial statements have been rounded to the nearest thousandth dollar.

(b) Comparative Figures

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

An Adjustment of $708k has been to the carrying value of Trade and Other payables, and the accumulated loss in the prior financial year, This adjustment reflects recognition of unspent Home Care funds to be returned to the Australian Government.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments, with an original maturity of 3 months or less, 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 (g)).

(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.

(e) Property, Plant and Equipment (Contd.)

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 recognised in Other Comprehensive Income and accumulated in the revaluation reserve in equity. Decreases that offset previous increases of the same class of assets are recognised in Other Comprehensive income and reversed against the revaluation reserve, all other decreases are recognised in profit and loss. 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 on 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 impaired.

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.

Plant and Equipment - Fixed Assets Constructed

The cost of fixed assets constructed 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.

(e) Property, Plant and Equipment (Contd.)

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 & Improvements	2.5%
Motor Vehicles	20.0%
Furniture & Fittings	15.0%
Plant and equipment	15.0%
IT Equipment	25.0%
IT Intangibles	20.0%

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.

(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 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 the statement of comprehensive income.

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, except trade receivables.

Classification

- amortised cost
- fair value through profit or loss
- fair value through comprehensive income.

Trade receivables are measured at the transaction price.

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

A financial asset that meets the following criteria is measured at amortised cost:

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

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

A financial asset that meets the following criteria is measured at other comprehensive income:

- the contractual terms give rise to cash flows that are solely payments of principle and interest;
- the business model relates to contractual cash flow collection and the selling of the financial asset.

(i) Financial Instruments (Contd.)

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.

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;
• trade receivables.

When determining whether the credit risk of a financial assets has increased significantly 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 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.

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.

(i) Financial Instruments (Contd.)

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.

(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, where applicable 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 provision for capital gain refunds liability is calculated annually based on the original incoming price compared with the valuation of independent living units by the Association.

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.

(n) Accommodating Deposits (Contd.)
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 $29,154,008 (2022: $29,062,000) 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 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 $7,103,936 (2022: $10,404,609) 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.

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.

(q) Leases (Contd.)

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.

(r) The company as Lessor

The company has entered into lease agreements as lessor in respect to certain properties.
In these circumstances tenants make a non-refundable ingoing contribution to secure lifetime occupnacy, and pay an ongoing daily charge. As there is no fixed timeframe on the arrangement it is not possible to determine the value of the ongoing commitment. These leases are classified as operating leases. Rental income is recognised on a straight-line basis and included in revenue in the statement of profit and loss.
Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

(s) 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 to September 2022 and then on Australian National Aged Care Classification (AN-ACC) 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.

(s) Revenue and Other Income (Contd.)

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.

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.

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 owner (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.

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.

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.

(t) Goods and Services Tax
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.

(u) 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.

(v) Intangible Assets
Intangible assets are capitalised at cost. The useful lives of thee intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to profit and loss through 'depreciation and amortisation. Intangible assets are tested for impairment.

(w) New Accounting Standards and Interpretations
The Association has considered the impact of these new or amended standards and the potential changes to the financial statements in the period of initial application, and no material impact is expected upon adoption.

2. Critical Accounting Estimates and Judgements
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.

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 retirement village 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.

2. Critical Accounting Estimates and Judgements (Contd.)

Key estimates - property held at fair value
An independent valuation of property (land and buildings) carried at fair value was obtained on 1 July 2019. In the intervening periods, the Board review the valuation and utilise, the best information available, such as valuation indexes for the area in which the property is located, to ensure the valuation is not overstated. The valuation is an estimation which would only be realised if the property is sold.

Given the age of the valuation and the rise in the property market the valuation is likely conservative. The Association has commenced a revaluation process in the 2023 financial year that will be reflected in the 2024 financial statements.

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 not revalued the independent living units in the 2023 financial year, therefore the provision has been calculated as the original ingoing price compared to the current value of the independent living unit in the Associations financial statement. The provision for capital gains refunds refunds liability is calculated annually.

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 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

30 June 2023

3. Interest Revenue	**2023**	**2022**
	$'000	'$'000
Interest Revenue From		
Entry Ingoings	49	9
Term Deposits	189	103
Total Interest Revenue	**238**	**112**

4. Cash and Cash Equivalents	**2023**	**2022**
	$'000	'$'000
Cash on Hand	627	91
Bank Balances	2,443	9,750
Total Cash and Cash Equivalents	**3,070**	**9,841**

The cash is restricted to the extent of Resident's Funds held in Trust $665k at 30 June 2023 ($685k 2022). As at 30 June 2023 SCC has access to a $22M line of Credit through the Catholic Development Fund $0 has been drawn on this line of credit. In September 2023 SCC has negotiated a reduction in the available Line of Credit to $5M.

5. Trade and Other Receivables	**2023**	**2022**
	$'000	'$'000
Expected to be Settled Within 12 Months		
Trade and Other Receivables (Cost)	7,833	5,501
Provision for Impairment/ Expected Credit Losses	(845)	(318)
Total Trade and Other Receivables	**6,988**	**5,183**

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 2023 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:

	2023	**2022**
	$'000	'$'000
Balance at Beginning of the Year	318	318
Movement Through Provision	527	-
	845	**318**

5. Trade and Other Receivables (Contd.)

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. Goodwill and Intangible Assets	**2023**	**2022**
	$'000	$'000
Goodwill	6,012	6,012
Software licences		
Opening Balance	88	-
Additions	627	-
Disposals	-	-
Amortisation charge for the year	(115)	-
Net movement 2022/23	**600**	**-**
Total Goodwill and Intangible Assets	**6,612**	**6,012**

7. Property, Plant and Equipment	2023 $'000	2022 $'000
Land and Buildings		
Freehold Land at Independent Valuation	43,720	43,720
Buildings and Improvements at Independent Valuation	320,326	246,420
Buildings and Improvements at Cost	-	73,656
Buildings and Improvements Accumulated Depreciation	(29,861)	(21,857)
Total Buildings	**334,185**	**298,220**
Total Land and Buildings	**334,185**	**341,940**
Capital Works in Progress		
Capital Works in Progress at Cost	3,124	1,911
Total Capital Works in Progress	**3,124**	**1,911**
Plant and Equipment		
Furniture & Fittings at Cost	1,383	1,130
Furniture & Fittings Accumulated Depreciation	(737)	(607)
Total Furniture & Fittings	**646**	**523**
Plant & Equipment at Cost	12,747	12,902
Plant & Equipment Accumulated Depreciation	(10,697)	(11,009)
Total Equipment - Other	**2,050**	**1,894**
Equipment - Information Technology at Cost	2,002	1,132
Equipment - Information Technology Accumulated Depreciation	(975)	(658)
Total Equipment - Information Technology	**1,027**	**474**
Intangibles - Information Technology at Cost	703	76
Intangibles - Information Technology Accumulated Depreciation	(103)	(63)
Total Intangibles - Information Technology	**600**	**12**
Total Plant & Equipment	**4,323**	**2,903**
Motor Vehicles		
Motor Vehicles at Cost	2,107	1,880
Motor Vehicles Accumulated Depreciation	(1,886)	(1,530)
Total Motor Vehicles	**221**	**350**

7. Property, Plant and Equipment (Contd.)

(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:

	Freehold Land at Independent Valuation	Buildings and Improvements	Capital WIP	Plant and Equipment	Motor Vehicles	Equipment - IT	Furniture and Fittings	Total
Year ended 30 June 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	43,720	298,220	1,911	1,694	350	488	721	347,104
Additions	-	249	1,213	1,152	-	896	56	3,566
Disposals - Written Down Value	-	-	-	230	-	-	-	230
Depreciation Expense		8,004		568	129	356	131	9,188
Balance at the End of the Year	**43,720**	**290,465**	**3,124**	**2,048**	**221**	**1,028**	**646**	**341,252**

	Land	Buildings	Capital WIP	Furniture & Fittings	Plant and Equipment	Equipment - IT	Motor Vehicles	Total
Year ended 30 June 2022	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	43,720	305,652	589		3,054		390	353,405
Additions		558	1,322		1,201		91	3,171
Disposals - Written Down Value					148			148
Depreciation Expense		7,990			1,203		130	9,324
Balance at the End of the Year	**43,720**	**298,220**	**1,911**	**-**	**2,903**	**-**	**350**	**347,104**

8. Leases (Right of Use Assets)

Movement in the carrying amount of right of use assets between the beginning and the end of the current financial year

Year ended 30 June 2023	**Right of Use** $000
Balance at the Beginning of the Year	156
Additions	165
Disposals - Written Down Value	
Depreciation Expense	62
Balance at the End of the Year	**260**

Year ended 30 June 2022	**Right of Use** $'000
Balance at the beginning of the year	-
Additions	156
Disposals - Written Down Value	-
Depreciation Expense	-
Balance at the End of the Year	**156**

9. Trade and Other Payables

	2023 $'000	2022 '$'000
Trade Payables	2,690	4,303
Sundry Payables and Accrued Expenses	2,071	6,076
Community CDC Accounts	758	492
Total Trade and Other Payables	**5,519**	**10,871**

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.

10. Employee Benefits

	2023 $'000	2022 $'000
Expected to be Settled Within 12 Months		
Annual Leave	4,671	4,653
Long Service Leave	1,781	2,192
Total Current	**6,452**	**6,845**
Not Expected to be Settled Within 12 Months		
Long Service Leave	603	581
Total Non-Current	**603**	**581**
Total Employee Benefits	**7,055**	**7,426**

(a) Movements in Carrying Amounts of Employee Benefits

	Annual Leave	Long Service Leave	Total
	$'000	$'000	$'000
Opening Balance at 1 July 2022	4,653	2,773	7,426
Leave Taken	(353)	(845)	(1,198)
Leave Accrued	371	456	827
Balance at 30 June 2023	**4,671**	**2,384**	**7,055**

Southern Cross Care (Tasmania) Inc.
ABN: 18 773 507 851

Notes to the Financial Statements
30 June 2023

11. Provisions

Southern Cross Care have taken up a provision for the shared capital gains of the resident in the increase in the value of the ILU. It has not been the policy of the Association to take up the offsetting increase in the value of the Independent Living Units. This policy has created a conservatism in the financial statements that will be remedied in the 2024 financial year when Independent Living Units are revalued, and the policy altered. It is expected that this will create a positive increase in the retained earnings of the Association when the policy is adjusted.

	2023	2022
	$'000	$'000
Provision for Resident Share of Capital Gain		
Expected to be Settled Within 12 Months	1,482	1,512
Not Expected to be Settled Within 12 Months	16,296	16,267
Total Provision for Resident Share of Capital Gain	**17,778**	**17,778**

(a) Movements in Carrying Amounts of Resident Share of Capital Gain Provisions

	Resident Share of CGT	Total
	$'000	$'000
Opening Balance	17,778	16,078
Additional Provisions	1,482	3,212
Provisions Used	(1,482)	(1,512)
Balance at 30 June 2023	**17,778**	**17,778**

12. Borrowings	2023	2022
	$'000	$'000
Expected to be Settled Within 12 Months		
Loan - Catholic Development Fund Tasmania	6,775	537
Loan - Department of Health and Ageing	937	938
Total Current	**7,712**	**1,475**
Not Expected to be Settled Within 12 Months		
Loan - Catholic Development Fund Tasmania	3,726	8,461
Loan - Department of Health and Ageing	10,244	11,181
Total Non-Current	**13,970**	**19,642**
Total Borrowings	**21,682**	**21,117**

The interest rate and maturity date for loans is as follows

Loan	Balance	Interest rate	Maturity date
DoH ZRIL	$6.85M	CPI	2036
DoH ZRIL	$4.33M	CPI	2036
Wages Underpayment	$6.24M	3.99%	2024
Mary's Grange	$4.26M	6.60%	2040

13. Other Liabilities

	2023	2022
	$'000	$'000
Expected to be Settled Within 12 Months		
Accommodation Deposits	29,154	29,062
Entry Ingoings	7,104	10,405
Total Current	**36,258**	**39,467**
Not Expected to be Settled Within 12 Months		
Accommodation Deposits	70,614	65,604
Entry Ingoings	131,432	128,704
Deeming Fund	225	225
Resident Comfort Accounts	664	685
Total Non-Current	**202,935**	**195,218**
Total Other Liabilities	**239,193**	**234,685**

Accommodation bonds and Entry Ingoings have been identified as current and non-current based on a model of repayment history. This is not in compliance with AASB *Financial Instruments* as the Association does not have an conditional right to defer settlement for greater than 12 months. The allocation of current and non-current is based on modelling over the last 5 years and is expected to be a reasonable reflection of the repayments in the subsequent financial year.

14. Asset Revaluation Reserve

The asset revaluation reserve records fair value movements on property held under the revaluation mode.

15. Capital and Leasing Commitments

(a) Contracted Commitments

	2023	2022
	$'000	$'000
Ainslie Aged Care Facility - Flooring	-	111
Ainslie Aged Care Facility - Plumbing	-	33
Sandown Village - HVAC Upgrade	-	601
Total Contracted Commitments	**-**	**745**

Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Notes to the Financial Statements

For the Year Ended 30 June 2023

16. Revenue and Expenses by Segment

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.

Business Segments

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

Geographic Segments

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

(a) Total Revenue and Expenses by Segment

	2023 $'000	2022 '$'000
Total Segment Revenue		
Government Subsidies	64,858	58,481
Resident Charges	23,205	21,040
Retentions/ Deferred Management Fee	6,137	6,348
Interest Income	238	112
Donations	164	161
Other Income	720	230
Total Segment Revenue	**95,322**	**86,373**
Total Segment Expenses		
Depreciation Expense	9,250	9,363
Care Employee Costs	44,408	55,361
Other Employee Costs	13,956	10,447
Other Expenses	14,495	14,843
Care Expenses	3,882	4,321
Administration Employee Costs	5,477	2,148
Motor Vehicle Expenses	151	152
General Insurance	-	427
Repairs and Maintenance	3,763	3,785
Staff On-Costs	5,778	2,897
Utility Expenses	2,911	3,445
Total Segment Expenses	**104,071**	**107,189**
Net Surplus/ (Deficit) for the Year	**(8,749)**	**(20,816)**

16. Revenue and Expenses by Segment (Contd.)

(b) Revenue and Expenses by Segment - Residential Age Care and Retirement Villages

	Residential Aged Care		*Retirement Villages*	
	2023	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000
Total Segment Revenue				
Government Subsidies	55,354	51,740	-	-
Resident Charges	17,671	16,143	4,809	4,277
Retentions/ Deferred Management Fee	-	-	6,137	6,348
Interest Income	3	-	47	9
Donations	1	1	-	1
Other Income	234	82	39	19
Total Segment Revenue	**73,263**	**67,965**	**11,032**	**10,653**
Total Segment Expenses				
Depreciation Expense	4,222	3,983	4,278	4,792
Care Employee Costs	39,584	50,045	258	-
Other Employee Costs	11,326	9,276	118	259
Other Expenses	10,102	9,062	2,781	3,104
Care Expenses	2,228	4,367	115	1
Administration Employee Costs	53	343	-	65
Motor Vehicle Expenses	53	73	7	12
Repairs and Maintenance	2,080	2,109	1,581	1,553
Staff On-Costs	5,146	1,417	-	16
Utility Expenses	1,819	2,335	1,043	1,040
Total Segment Expenses	**76,613**	**83,010**	**10,182**	**10,844**
Net Surplus/ (Deficit) for the Year	**(3,349)**	**(15,045)**	**850**	**(190)**

Southern Cross Care (Tasmania) Inc.
ABN: 18 773 507 851

Notes to the Financial Statements
For the Year Ended 30 June 2023

16. Revenue and Expenses by Segment (Contd.)

(c) Revenue and Expenses by Segment - Home & Community Care and Other

	Home & Community Care		*Other*	
	2023	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000
Total Segment Revenue				
Government Subsidies	7,604	6,641	-	100
Resident Charges	725	621	-	-
Interest Income	-	-	188	103
Donations	-	-	163	160
Other Income	-	27	2,346	103
Total Segment Revenue	**8,330**	**7,289**	**2,697**	**466**
Total Segment Expenses				
Depreciation Expense	77	84	673	504
Care Employee Costs	4,534	4,542	33	774
Other Employee Costs	268	427	2,244	485
Other Expenses	2,318	2,676	-	-
Care Expenses	1,539	(48)	-	1
Administration Employee Costs	(36)	146	4,753	1,594
Motor Vehicle Expenses	26	17	65	50
General Insurance	-	-	-	427
Repairs and Maintenance	11	34	90	89
Staff On-Costs	632	98	-	1,365
Utility Expenses	11	31	38	39
Total Segment Expenses	**9,380**	**8,007**	**7,896**	**5,328**
Net Surplus/ (Deficit) for the Year	**(1,050)**	**(719)**	**(5,199)**	**(4,862)**

Southern Cross Care (Tasmania) Inc.
ABN: 18 773 507 851

Notes to the Financial Statements
30 June 2023

17. Segment Assets and Liabilities

	Total		Residential Aged Care		Retirement Villages		Home & Community Care		Other	
Segment Assets	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other Assets	16,466	20,341	4,480	1,288	88	7	136		11,762	19,046
Non-Current Assets	6,012	6,169	6,012	6,012	-	-	-	-	-	156
Land and Buildings	334,185	341,940	312,987	320,424	21,198	21,516	-	-	-	-
Plant and Equipment	7,666	5,164	5,113	4,208	442	70	305	-	1,807	887
Total Segment Assets	**364,330**	**373,614**	**328,592**	**331,932**	**21,728**	**21,594**	**441**	**-**	**13,569**	**20,089**

	Total		Residential Age Care		Retirement Villages		Home & Community Care		Other	
Segment Liabilities	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected Within 12 Months	57,513	58,065	30,103	36,706	7,736	6,988	876	2,778	18,798	11,593
Not Expected Within 12 Months	233,989	229,299	80,505	74,344	147,708	149,840	-	-	5,775	5,116
Total Segment Liabilities	**291,502**	**287,364**	**110,608**	**111,049**	**155,444**	**156,827**	**876**	**2,778**	**24,574**	**16,709**
Total Segment Net Assets	**72,828**	**86,250**	**217,984**	**220,882**	**(133,716)**	**(135,234)**	**(435)**	**(2,778)**	**(11,005)**	**3,380**

Notes to the Financial Statements
30 June 2023

18. Auditors' Remuneration
Remuneration of the auditor, Wise Lord and Fergusson (2023) and Crowe Audit Australia (2022) for:

	2023	2022
	$'000	$'000
Audit of the Financial Report, including	72	61
village statements and prudential return	-	
	72	**61**

19. Related Parties
(a) The Association's main related parties
The Association's main related parties are the Board of Directors. In the financial year a total of $110,000 was paid to Directors in Board sitting fees

(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.

20. Key Management Personnel Remuneration
Total remuneration paid to key management personnel of the Association was $1,708,002 (2022: $1,316,635).

21. Contingent Assets and Contingent Liabilities
There are no contingent liabilities or contingent assets to be disclosed at 30 June 2023 (30 June 2022: Nil)

22. 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.
It was announced on 11 August 2023 that the Chair of the Board, S Shirley retired and J Fishlock was appointed Acting Chair.
It was announced on 22 August 2023 that the Chief Executive Officer, R Boyd resigned and J Dean was appointed Interim CEO.

23. 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.

24. 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.

24. Going Concern (Contd.)

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 10 months.

Occupancy is forecast to be maintained and vacancies in retirement villages are low.

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 would not reflect the true liquidity of the Association as these liabilities are not likely to be repaid in the next 12 months. Therefore, current and non-current liabilities for these bonds, deposits and contributions have been based on 5 year modelling of the turn over of these liabilities.

Independent Living Unit resident's may share in capital appreciation of the property. The 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. Repaid refundable accommodation deposits are often replaced by refundable accommodation deposits of the incoming resident. Not impacting liquidity.

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.

Board and management are working hard to be able to provide a superior service within the financial boundaries set by the Federal Government, that apply to he majority of its services. The Board and management recognise that it is important that the Association returns to a surplus trading position.

25. 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

Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Board's Declaration

In accordance with the resolution of the Board of Governance of Southern Cross Care (Tasmania) Inc., the Board declares that:

1. The financial statements and notes are in accordance with the *Australian Not-for-Profit and Charities Commission Act 2012 and;*

a. comply with Australian Accounting Standards applicable to the Association; and

b. give a true and fair view of the financial position of the Association as at 30 June 2023 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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

This declaration is signed in accordance with subsection 60.15(2) of the *ACNC Regulations 2022*.

Acting Chair: .... Treasurer: ....

Dated this ....31st.... day of ....October.... 2023

Auditor's Independence Declaration to the members of Southern Cross Care (Tasmania) Inc.

In relation to our audit of the financial report of Southern Cross Care (Tasmania) Inc. for the financial year ended 30 June 2023, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Associations Incorporation Act (Tas) 1964* and the *Australian Charities and Not-for-Profits Commission Act 2012* or any applicable code of professional conduct.

Wise Lord & Ferguson

WISE LORD & FERGUSON

JOANNE DOYLE
Partner
Date: 31 October 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Southern Cross Care (Tasmania) Inc.

Opinion

We have audited the financial report of Southern Cross Care (Tasmanian) Inc. (the Association), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

b) complying with Australian Accounting Standards – AASB 1060*: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of *Australian Charities and Not-for-profits Commission Regulation 2022.*

Basis for Opinion

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 24 Going Concern to the financial report, which describe the basis for Board and Management presenting the financial report as a going concern. The Going Concern note is included due to the recognition that the Association has been trading in a deficit position for some years; noting this accords with the trading position of many aged care providers.

In addition, Note 11 Provisions identifies that the Association has taken a conservative policy of providing the potential capital gains payable on Independent Living Units, whilst not identifying the increase in the Independent Living Unit asset value to the Association. This ongoing policy is estimated to have understated Equity in this and prior financial years.

Comparative Information

Without modifying our opinion, we draw attention to the fact that this is WLF Accounting and Advisory's first year completing the audit of the Company. Accordingly, we do not express an opinion on the comparative information in the financial statements of the Company.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – AASB 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Independence

We confirm that the independence declaration required by the ACNC Act, which has been given to the responsible entities of Southern Cross Care (Tasmanian) Inc. would be in the same terms if given to the responsible entities as at the time of this auditor's report.

Wise Lord & Ferguson

WISE LORD & FERGUSON

JOANNE DOYLE

Partner

Date: 31 October 2023