Uniting AgeWell Limited

ABN 19 628 178 816   NAPS ID 9609

Annual Financial Report - 30 June 2021

Uniting AgeWell Limited
Contents
30 June 2021

General information

The financial statements cover Uniting AgeWell Limited (the 'Company') as a group consisting of the Company and the entities it controlled at the end of, or during, the year (collectively the 'Group'). The financial statements are presented in Australian dollars, which is Group's functional and presentation currency.

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

Uniting AgeWell Limited
Wesley Place
130 Lonsdale Street
Melbourne VIC 3000

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Uniting AgeWell Limited (referred to hereafter as the 'Company', 'Uniting AgeWell' or the 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2021.

Directors
The following were directors of the Company during the whole of the financial year, unless otherwise stated:

Ms Raelene Thompson
Ms Kate Andrews
Ms Jan Begg
Mr Simon Brewin
Ms Kathryn Campbell
Rev Colin Gurteen
Prof Alison Hutchinson
Ms Julia Langdon
Ms Sabine Phillips, AM
Mrs Wendy Quinn
Mr Ian Sanders

Principal activities
The principal activity of the Group during the financial year was the provision of senior services comprising residential care, home care, community services and retirement villages.

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

Entity's vision
Uniting AgeWell: The Church at Work

We are a creative leader; enabling communities to age well and individuals to live to their potential.

Entity's mission
Uniting AgeWell provides specialised services enabling older people to maximise their wellbeing and access care when required.

As part of the Uniting Church we live out the practical expression of Christian faith and values:

- Respect
- Partnership
- Wisdom
- Fairness
- Stewardship

The Uniting AgeWell 2017-20 Strategic Plan has five key priorities:

- The quality of life and experience of our customers is at the heart of everything we do.
- A progressive employer of choice, with a culture of customer-centred care, innovation, trust and respect.
- Proudly an expression of the Uniting Church.
- Stronger, smarter and more sustainable.
- Strength, learning and innovation through partnership and collaboration.

Uniting AgeWell believes that older people want to live in an environment of choice, empowerment and wellness, and to easily access support and care as they choose. While care remains an important part of our service delivery, our focus now includes what people can do instead of what they cannot. It promotes a life enhancing approach to growing older including supportive care when required.

The Uniting AgeWell Board is in the process of finalising the next generation of Uniting AgeWell's Strategic Plan – “2022 and beyond”.

COVID-19
The COVID-19 pandemic has had a profound impact on the broader community, and the impacts on the aged care sector have been extreme. As at the time of writing this report, Uniting AgeWell has no resident within its residential aged care facilities that has tested positive to COVID-19, and there has been no staff to staff transmission.

Uniting AgeWell has invested heavily in additional staff, infection control education, personal protective equipment, and technology to assist care services and corporate support services to continue throughout this difficult period. In addition, revenue was impacted due to reduced occupancy, and closure of community centres. As an organisation we are very proud of how well the challenges have been navigated throughout the pandemic.

Our focus in recent months has been on ensuring our aged care residents have ready access to COVID-19 vaccination, and it is pleasing that approximately 95% of residents opted to have the vaccination. It is also pleasing that Uniting AgeWell staff have embraced a culture of vaccination. As at September 6, 2021, more than 95% of our residential care staff have received at least one dose of vaccination (74% fully vaccinated), and more than 91% of all staff have received one dose (69% fully vaccinated).

Quality and Safety
Uniting AgeWell has continued to invest in quality and safety and always seeks to ensure all services remain fully compliant with the new standards. As at the time of writing this report, Uniting AgeWell has 19 residential care facilities fully compliant, and 1 facility is working through an improvement plan after being assessed by the Quality and Safety Commission as not meeting all standards.

Growth
Uniting AgeWell has continued to grow services throughout 2020/21, particularly in the area of Home Care services, with Home Care Packages under management increasing by 22.5% over the 12 months to June 30, 2021. Our Commonwealth Home Support Services also transitioned services from Brimbank City Council and Knox City Council – these transitions has significantly increased Uniting AgeWell's profile of services in these areas.

Uniting AgeWell took ownership of Andrew Kerr Care (AKC) in June 2021. AKC has a 120 bed residential aged care service and also provides home care services in Mornington, Victoria.
We completed a 30 bed extension at our Aldersgate Village residential aged care facility in April 2021, and we have a number of exciting projects in the planning stages.

Royal Commission into Aged Care Quality and Safety
The Aged Care Royal Commission handed down its final report in February 2021. The report recommended many "whole of system" changes, including the need for a significant boost to Government funding. There were also a number of recommendations for Providers to significantly improve the quality and safety systems of which they are responsible for. Enhanced accountability, transparency, and staffing levels will all make a significant difference.

Financial performance
The net deficit reduced from $20.6m to a deficit of $0.4m despite difficult trading conditions arising from reduced residential occupancy and higher clinical staffing levels during Victorian COVID-19 outbreaks. Improved investment earnings, home care and retirement living surpluses and reversal of casual employee leave provisions no longer required following a High Court decision substantially offset COVID-19 residential trading losses.

The group acquired the net assets of Andrew Kerr Care on 1 June 2021 for a nominal $2 consideration. Andrew Kerr Care is a 120 residential aged care facility and provider of day care and home care services located in Mornington Victoria. The gain on acquisition of $18.6m has been treated as equity in the balance sheet and not as income in the profit and loss statement.

A net cashflow deficit of $10.2m was recognised after capital expenditure of $13.0m, accommodation bond inflows of $8.7m and operating cash deficit of $14.8m. Uniting AgeWell's liquidity position is strong with cash and investments totalling $225.1m.

Information on directors

Name:	Ms Raelene Thompson
Title:	Board Director and Chairperson
Qualifications:	Master of Business Administration, Graduate Diploma of Management, Graduate Certificate of Business MAICD
Board Committee membership:	AgeWell Community Advisory Committee member Governance Committee member

Name:	Ms Kate Andrews
Title:	Board Director
Qualifications:	Bachelor of Commerce / Bachelor of Arts, Graduate Diploma of Marketing (Major: Marketing Strategy), Diploma of Financial Services (Superannuation), Graduate AICD Company Directors Course
Board Committee membership:	AgeWell Community Advisory Committee Chairperson Clinical Governance Committee member

Name:	Ms Jan Begg
Title:	Board Director
Qualifications:	MBA, B.Sc. (Hons), Fellow AICD
Board Committee membership:	Finance Committee member Governance Committee member Digital Governance Advisory Committee Chairperson

Name:	Mr Simon Brewin
Title:	Board Director
Qualifications:	MBL, GradDip Health Service Management, BBus, Post Grad Cert Health Economics Graduate AICD
Board Committee membership:	Property & Development Committee Chairperson Finance Committee member Governance Committee Chairperson

Name:	Ms Kathryn Campbell
Title:	Board Director
Qualifications:	Bachelor of Economics, Fellow CPA Australia, Fellow AICD, Fellow CAANZ, Fellow AIDH
Board Committee membership:	Mission Committee member Audit & Risk Committee member Digital Governance Advisory Committee member

Name:	Rev Colin Gurteen
Title:	Board Director
Qualifications:	Bachelor of Theology, Diploma of Education, Associate of Library Association of Australia, GAICD
Board Committee membership:	Mission Committee member

Name:	Prof Alison Hutchinson
Title:	Board Director
Qualifications:	RN, Certificate of Midwifery, Bachelor Applied Science (Advanced Nursing), Masters of Bioethics, PhD, Member AICD
Board Committee membership:	Clinical Governance Committee Chairperson AgeWell Community Advisory Committee member

Name:	Ms Julia Langdon
Title:	Board Director
Qualifications:	Bachelor of Science, Bachelor of Commerce, Fellow - Chartered Accountants Australia and New Zealand
Board Committee membership:	Audit & Risk Committee Chairperson Clinical Governance Committee member

Name:	Ms Sabine Phillips, AM
Title:	Board Director
Qualifications:	Master of Laws, Master of Business, Bachelor of Applied Science, Registered Nurse (non-practising), Certificate in Medication and Conciliation, Fellow AICD
Board Committee membership:	Audit & Risk Committee member Clinical Governance Committee member

Name:	Mrs Wendy Quinn
Title:	Board Director
Qualifications:	Master of Health Science, Developmental Disabilities, Post Graduate Certificate, Australian Competent Manager Program, Bachelor of Applied Science OT (degree completion), Diploma of Occupational Therapy, Fellow Australasian College of Health Service Management, Chartered Manager and Fellow of the Institute of Managers and Leaders, Fellow AICD
Board Committee membership:	Mission Committee Chairperson Governance Committee member

Name:	Mr Ian Sanders
Title:	Board Director
Qualifications:	Bachelor of Science (London), Master of Business Administration, Graduate AICD
Board Committee membership:	Finance Committee Chairperson Audit & Risk Committee member Property & Development Committee member

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is set out immediately after this report.

Signed in accordance with a resolution of directors.

On behalf of the directors

R Thompson

Ms Raelene Thompson
Chairperson

J L Begg

Ms Jan Begg
Board Director

28 September 2021

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Auditor's Independence Declaration

To the Directors of Uniting AgeWell Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Uniting AgeWell Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A C Pitts
Partner - Audit & Assurance

Melbourne, 28 September 2021

Uniting AgeWell Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated Restated 2020 $
Revenue	5	248,009,770	233,405,935
Net fair value gain/loss on financial assets held at fair value through profit or loss		17,574,307	(901,113)
Expenses			
Care expenses		(152,785,562)	(144,288,491)
Hotel expenses		(31,940,562)	(28,855,432)
Administrative expenses		(64,494,069)	(58,944,356)
Other expenses		(8,314,926)	(8,663,194)
Finance costs	6	(8,442,669)	(12,316,291)
Total expenses		(265,977,788)	(253,067,764)
Deficit before income tax expense		(393,711)	(20,562,942)
Income tax expense		-	(26,858)
Deficit after income tax expense for the year		(393,711)	(20,589,800)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(393,711)	(20,589,800)

Refer to note 3 for detailed information on Restatement of comparatives.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Uniting AgeWell Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	Consolidated Restated 2020 $
Assets			
Current assets			
Cash and cash equivalents	7	11,630,125	21,807,852
Trade and other receivables	8	3,976,559	4,959,055
Other financial assets	9	213,454,980	199,181,857
Other assets	10	4,715,689	5,375,170
Total current assets		233,777,353	231,323,934
Non-current assets			
Investment properties	12	160,450,515	160,450,515
Property, plant and equipment	11	382,225,197	349,667,136
Intangibles	13	57,135,480	47,679,720
Other assets	10	4,420,819	2,661,620
Total non-current assets		604,232,011	560,458,991
Total assets		838,009,364	791,782,925
Liabilities			
Current liabilities			
Trade and other payables	14	15,156,033	17,532,594
Contract liabilities	15	21,289,202	18,551,759
Provisions	16	31,062,801	33,524,014
Resident ingoings	17	327,985,385	301,711,116
Lease liabilities	18	866,441	643,633
Total current liabilities		396,359,862	371,963,116
Non-current liabilities			
Contract liabilities	15	178,955,056	180,819,171
Lease liabilities	18	5,668,893	1,065,716
Provisions	16	6,375,636	5,461,131
Total non-current liabilities		190,999,585	187,346,018
Total liabilities		587,359,447	559,309,134
Net assets		250,649,917	232,473,791
Equity			
Other contributed equity		253,063,591	253,063,591
Reserves		18,569,837	-
Retained deficit		(20,983,511)	(20,589,800)
Total equity		250,649,917	232,473,791

Refer to note 3 for detailed information on Restatement of comparatives.

Uniting AgeWell Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Other contributed equity $	Acquisition reserve $	Retained deficit $	Total equity $
Balance at 1 July 2019	-	-	-	-
Deficit after income tax expense for the year	-	-	(20,589,800)	(20,589,800)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(20,589,800)	(20,589,800)
Net assets received on transfer to Uniting AgeWell Limited	253,063,591	-	-	253,063,591
Balance at 30 June 2020	253,063,591	-	(20,589,800)	232,473,791

Consolidated	Other contributed equity $	Acquisition reserve $	Retained deficit $	Total equity $
Balance at 1 July 2020	253,063,591	-	(20,589,800)	232,473,791
Deficit after income tax expense for the year	-	-	(393,711)	(393,711)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(393,711)	(393,711)
Acquisition of Andrew Kerr Care (refer to note 4)	-	18,569,837	-	18,569,837
Balance at 30 June 2021	253,063,591	18,569,837	(20,983,511)	250,649,917

Refer to note 3 for detailed information on Restatement of comparatives.

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

Uniting AgeWell Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Restated 2020 $
Cash flows from operating activities			
Receipts from residents/clients		60,688,083	57,954,153
Receipts from government funding		179,815,166	161,840,518
Receipts from donors and fundraising		61,967	266,762
Receipts from other sources		2,041,635	1,023,198
Payments to suppliers and employees		(259,475,018)	(213,916,953)
Interest received		2,656,993	3,095,049
Interest and other finance costs paid		(563,428)	(854,771)
Income tax paid		-	(26,858)
Net cash (used in)/from operating activities		(14,774,602)	9,381,098
Cash flows from investing activities			
Receipts from financial assets with U Ethical Funds Management		9,064,386	655,702
Payments for investment property		(7,364,189)	(29,696,516)
Payments for property, plant and equipment		(4,892,822)	(9,338,302)
Payments for intangibles		(721,068)	(1,135,525)
Payments for acquisition of subsidiary, net of cash and cash equivalents acquired	4	1,592,442	-
Proceeds from disposal of property, plant and equipment		32,835	-
Net cash used in investing activities		(2,288,416)	(39,514,641)
Cash flows from financing activities			
Cash received on transfer of operations		-	1,218,351
Accommodation bonds/refundable deposits/entry contributions received		69,872,623	134,019,906
Accommodation bonds/refundable deposits/entry contributions refunded		(61,205,751)	(82,870,961)
Repayment of lease liabilities		(1,781,581)	(425,901)
Net cash from financing activities		6,885,291	51,941,395
Net movement in cash and cash equivalents		(10,177,727)	21,807,852
Cash and cash equivalents at the beginning of the financial year		21,807,852	-
Cash and cash equivalents at the end of the financial year	7	11,630,125	21,807,852

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

IFRIC Agenda Decision - Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)
The Group has adopted the IFRIC Agenda Decision from 1 July 2020. The Agenda Decision provides clarification on the elements of expenditure that meet the definition of an Intangible Asset as defined by AASB 138 Intangible Assets. Refer to Note 3 for the impact of the adoption of the IFRIC Agenda Decision.

Going concern
The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has a net working capital deficiency, being current assets less current liabilities, of $162,582,509 (2020: $140,639,182).

The net working capital deficiency is significantly impacted by resident ingoing liabilities totalling $327,985,385 (2020: $301,711,116), which are classified as current liabilities on the basis that they are repayable to residents when they leave the facility or unit, which can be at any time. The directors do not expect the resident ingoing liabilities to reduce significantly on an annual basis as the liabilities relating to residents who depart the facility or unit are generally replaced by resident ingoing liabilities received from new residents. The resident ingoing liabilities are therefore considered to form a part of the long term funding of the facility.

The directors have considered the position of the Group and, based on the above, consider the going concern basis to be appropriate for preparation of the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the Group not continue as a going concern.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of all subsidiaries for the period during the financial year that Company had control of the respective subsidiary.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power to direct the activities of the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Company.

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
Aged care and home care
The Group recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of aged care and home care services performed are recognised as contract liabilities.

Retirement living
The Group recognises revenue from retirement living services over time as performance obligations are satisfied, which is as the services are rendered. Revenue arises from deferred management fees and short-term rentals, as agreed in a single contract with the resident. Revenue from deferred management fees is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data, including industry data. The difference between revenue recognised and contractual deferred management fees earned is recognised as a contract liability. Revenue from short-term rentals is recognised on a daily basis as services are provided.

Note 1. Significant accounting policies (continued)

Nature of aged care, home care and retirement living revenue and cash flows

Type of revenue	Description
Government contributions - aged cared and home care	Government revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents, HCP subsidies and other Government incomes. Revenue is recognised over time as services are provided and performance obligations fulfilled. Funding claims are submitted/updated daily and Government revenue is usually payable within approximately one month of services having been performed.
Resident and client fees - aged care	Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident/client basic daily fees is regulated by the Government and typically increases in March and September each year. Resident/client basic daily fee revenue is recognised over time as services are provided and performance obligations fulfilled. Residents/clients are invoiced on a monthly basis and revenue is usually payable within 30 days. Other resident/client revenue represents other fees charged to residents/clients in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income. Other resident/client revenue is recognised over time as services are provided and performance obligations fulfilled. Residents/clients are invoiced on a monthly basis and revenue is usually payable within 30 days.
Deferred management fees ('DMF') - retirement living	DMF revenue represents a fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from an independent living unit. DMF revenue is recognised over the expected length of stay of a resident.
Other operating revenue - aged care, home care and retirement living	Other operating revenue comprises rental income and other sundry revenue. Revenue is recognised over time as services are provided and performance obligations fulfilled. Residents/clients are typically invoiced on a monthly basis and revenue is usually payable within 30 days. For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit ('RAD') or Accommodation Bonds (prior to July 2014), the Group receives a financing benefit, being non-cash consideration, in the form of an interest free loan. The fair value of this non-cash consideration is required, under AASB 16 and AASB 9 to be recognised as rental income (to reflect the resident's occupancy of the room) and corresponding interest expense (to record the financial liability associated with RADs and bonds at fair value) with no net impact on profit or loss. Where residents have elected to pay a DAP, the DAP is recognised as resident/client fees as disclosed above. This is calculated based on average RAD / accommodation bond balances, excluding any RADs/accommodation bonds awaiting refund/probate divided by the Maximum Permissible Interest Rate (MPIR), which is a Commonwealth Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents. This resulted in the Group recognising additional rental income and interest expense of $7,607,669 (2020: $11,461,520).

Note 1. Significant accounting policies (continued)

Donations, bequests and fundraising revenue
Donations, bequests and fundraising revenue are recognised only when the Group gains control of the funds and when the funds do not give rise to a performance obligation which would require the need for a contract liability to be recognised.

Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when performance obligations are fulfilled or when it is received or when the right to receive payment if performance obligations do not exist.

The Group, as private sector not-for-profit entities, has elected not to recognise the financial impact of any volunteer services provided.

Income tax
The Company is a charitable institutions in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, and is exempt from paying income tax.

The subsidiary of the Company became a charitable institution from 26 September 2019, prior to that date it was not exempt from paying income tax.

The below outlines the accounting policies in relation to income tax for the subsidiary of the Company from 1 July 2019 to 26 September 2019.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 1. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 1. Significant accounting policies (continued)

Independent living units (investment property)

Investment property, principally comprised of independent living units on leased property, is held to generate deferred management fees and are not occupied by the Group. Investment properties are initially measured at cost and subsequently measured at fair value.

Independent living units' resident ingoings are recognised as a liability once received. The agreements with residents provide for Uniting AgeWell to retain retentions on a deferred basis, and the proportion of ingoings retainable is brought to account as income at the time that it becomes non-refundable to the resident. Some of the ingoings provide for Uniting AgeWell to owe a share of capital gain which is recognised as an expense progressively based upon the market value of the independent living unit as at reporting date.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

The Group obtains independent valuations for its investment properties annually. The best evidence of fair value is current prices in an active market for similar properties.

Judgements and estimates have been made in determining fair value of investment properties as disclosed in note 2.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A right-of-use asset is recognised for land, buildings and building improvements of residential aged care facilities, Community Services sites and other sites which are subject to a lease, at the commencement date of the respective lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and paid for directly by the Group, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is recognised over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Capital works in progress are carried at cost and represent assets which are not yet available for use and are yet to commence depreciation.

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 entity 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.

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Right-of-use (land)	Unexpired lease period
Right-of-use (buildings and building improvements)	Shorter of unexpired lease period and 40 years
Plant and equipment	10 to 20 years
Furniture, fixtures and fittings	4 to 15 years
Motor vehicles	5 to 7 years
Computer equipment	2 to 4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Bed licences
Bed licences have been initially recognised at fair value upon issue from the Federal Government which is deemed to represent cost under AASB 138 Intangible Assets.

The Group considers the licences to have an indefinite life and as such does not amortise them. The licences are reviewed annually to assess whether there has been any impairment in their value. Where the carrying amount exceeds the value of the expected future benefits, the difference is charged to profit and loss. Impairment losses can be reversed in subsequent periods to the extent previously recognised.

The recoverable amount of bed licences represents the higher of the asset's fair value less costs to sell and its value in use. Judgements and estimates have been made in determining fair value and value in use of bed licences as disclosed in note 2.

The current Government has stated its intention to abolish bed licence restrictions and the Aged Care Approval Rounds ("ACAR") from 1 July 2024. This proposal has the potential to impact the accounting value of bed licences. At 30 June 2021, the Group recognises bed licences at a book value of $45,282,500. Legislation has not yet been drafted or passed to give effect to this intention and the exact nature of any changes to the licencing regime remains uncertain at the date of this report. Until such time as any legislation is passed, Approved Providers will still be required to own bed licences to be eligible for Government subsidies under the Aged Care Act. As a result, the Group has determined that bed licences continue to have an indefinite life and the carrying value remains appropriate at the date of this report.

Software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and install the specific software. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulate impairment losses.

Note 1. Significant accounting policies (continued)

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts providing the Group with the right to access the cloud provider’s application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier’s software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others’ access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	• Fee for use of application software
Recognise as an operating expense as the service is received	• Configuration costs • Data migration costs • Training costs

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

Contract liabilities
Contract liabilities include the value of sufficiently specific performance obligations required under certain lease agreements which the Group is party to as a lessee. These contract liabilities are reduced and recognised as revenue over the lease period on a straight-line basis as the performance obligations are satisfied. The carrying amount is remeasured if there is a change in the lease arrangement consistent with that described in the below accounting policy for leases in which the Group is a lessee.

Contract liabilities also represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Leases in which the Group is a lessee
The Group leases various offices, residential aged care facilities and independent living units. Rental contracts can vary from 1 year to 99 years and can include extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

Payments associated with short-term leases assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation expense
Contributions to superannuation plans are expensed in the period in which they are incurred.

Resident ingoings
The operation of residential facilities are governed by the Aged Care Act 1997. The operations of the independent living units are governed by the Victorian Retirement Villages Act 1986 and the Retirement Villages Act 2004.

Pursuant to the Aged Care Act residents may be required to lodge a refundable accommodation deposit (RAD's). The value of these RAD's are reported as a resident ingoing liability. The Aged Care Act allows a provider to retain the interest earned from these bonds/RAD's.

Resident ingoing amounts and related retentions and deferred management fees are received from residents of independent living units.

The current cash holdings of entry contributions and RAD's have been invested with the U Ethical Funds Management. Uniting AgeWell has established an investment structure to enable refunds of RAD's and other resident ingoing amounts to be met as required.

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 interests. 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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

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

Note 1. Significant accounting policies (continued)

Other contributed equity
On 1 July 2019, The Uniting Church in Australia Property Trust (Victoria) and The Uniting Church in Australia Property Trust (Tas.) transferred the operations, assets and liabilities of Uniting AgeWell Victoria and Uniting AgeWell Tasmania to the Company for $nil consideration.

The transfer does not meet the definition of a business combination under AASB 3 'Business Combinations', because ultimately there was no change in control over the net assets. Consequently, no acquisition accounting in the form of a purchase price allocation has been undertaken and therefore the assets and liabilities transferred have not been remeasured to fair value nor has any goodwill arisen on transfer.

Other contributed equity represents the value of net assets transferred on 1 July 2019 for $nil consideration.

Acquisition reserve
On 1 June 2020, the Group acquired the business assets of Andrew Kerr Care Limited. The transaction is a business combination in accordance with AASB 3 'Business Combinations' as the Group obtained control of the processes and operations of the Andrew Kerr Care business.

The Group has been deemed to have gained control of the Andrew Kerr Care business for no consideration. Consequently, in accordance with AASB 3 'Business Combinations', the acquisition-date fair value of the business acquired has been recognised directly in to equity through the acquisition reserve.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy
The Group are required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment, right of use assets and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell and value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows and application of recent sales history for similar assets where an active market exists.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision and other provisions
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Included in provisions for the year ended 30 June 2021 are amounts relating to underpayments of employee entitlements. The Group, in the normal course of business, has commissioned an external review of employee entitlements to ensure compliance with Enterprise Bargaining Agreements and Industrial Awards. Whilst the review is continuing to determine the extent of the remediation required, a provision has been recognised as at 30 June 2021, which represents an estimation of historical payment shortfalls and the Group's present obligation. Prior periods have also been restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* as discussed in Note 3.

Included in provisions for the year ended 30 June 2020 were amounts relating to additional leave benefits for certain current and former casual employees, stemming from the identification of casual employment arrangements which meet the majority of the facts of the employment arrangements considered in the WorkPac v Rossato case. On 22 March 2021, the Federal Government passed legislation to amend the *Fair Work Act 2009* in direct response to the WorkPac v Rossato decision, which included a statutory definition of a 'casual' employee. The amendment came into effect on 27 March 2021, and is applied retrospectively. On 4 August 2021, the High Court overturned the WorkPac v Rossato ruling and a 'casual' arrangement was one where no firm advance commitment is made to the employer and in written contract.
The Group has assessed their casual employment arrangements against the new legislation, and applied judgement to determine that there is no longer a present obligation. The change resulted in the Group derecognising the provision for additional leave benefits for certain current and former casual employees of $6,203,004. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* this is a change in accounting estimate resulting from new information and as such, no restatement of prior periods is required.

Note 3. Restatement of comparatives

Software-as-a-Service (SaaS) arrangements (change in accounting policy)
The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

• Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
• Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has result in a reclassification of these intangible assets to recognition as an expense in the Statement of Comprehensive Income, impacting both the current and prior periods presented. The new accounting policy is presented in Note 1.

Underpayment of employee entitlements (correction)
The Group initiated an external review of employee entitlements which identified that there were employees across the Group who were not paid in full compliance with the Enterprise Bargaining Agreements and Industrial Awards. Whilst the review is continuing to determine the extent of the remediation required, the Group has recorded a provision for prior periods, which represents an estimation of historical shortfalls at the time of the potential exposure.

Prior periods have been restated to account for the impact of the above. The understatement of employee entitlements has been corrected in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, as follows:

Consolidated statement of financial position	Previously reported $	Adjustments $	Restated $
30 June 2020			
Other assets	5,220,966	154,204	5,375,170
Total current assets	231,169,730	154,204	231,323,934
	-	-	-
Intangibles	49,900,277	(2,220,557)	47,679,720
Total non-current assets	562,679,548	(2,220,557)	560,458,991
Total assets	**793,849,278**	**(2,066,353)**	**791,782,925**
	-	-	-
Provisions	28,871,761	4,652,253	33,524,014
Total current liabilities	367,310,863	4,652,253	371,963,116
Total liabilities	**554,656,881**	**4,652,253**	**559,309,134**
Net assets	**239,192,397**	**(6,718,606)**	**232,473,791**
	-	**-**	**-**
Other contributed equity	257,304,624	(4,241,033)	253,063,591
Retained surplus/(deficit)	(18,112,227)	(2,477,573)	(20,589,800)
Total equity	**239,192,397**	**(6,718,606)**	**232,473,791**
	-	-	-
1 July 2019	-	-	-
Intangibles	50,730,149	(1,045,615)	49,684,534
Other assets	7,088,041	154,204	7,242,245
Provisions	23,995,886	3,349,622	27,345,508
Other contributed equity	257,304,624	(4,241,033)	253,063,591

Note 3. Restatement of comparatives (continued)

Consolidated statement of profit or loss and other comprehensive income	Previously reported $	Adjustments $	Restated $
30 June 2020			
Care expenses	(142,985,860)	(1,302,631)	(144,288,491)
Other expenses	(7,488,252)	(1,174,942)	(8,663,194)
Deficit before income tax expense	**(18,085,369)**	**(2,477,573)**	**(20,562,942)**
Deficit after income tax expense for the period	**(18,112,227)**	**(2,477,573)**	**(20,589,800)**
Total comprehensive income for the period	**(18,112,227)**	**(2,477,573)**	**(20,589,800)**

Consolidated statement of financial position	Change in accounting policy $	Correction $	Total $
30 June 2020			
Increase in other assets	154,204	-	154,204
Reduction in intangibles	(2,220,557)	-	(2,220,557)
Increase in provisions	-	4,652,253	4,652,253
Decrease in other contributed equity	(891,411)	(3,349,622)	(4,241,033)
Decrease in retained surplus/(deficit)	(1,174,942)	(1,302,631)	(2,477,573)

Consolidated statement of profit or loss and other comprehensive income	Change in accounting policy $	Correction $	Total corrections $
30 June 2020			
Increase in care expenses	-	1,302,631	1,302,631
Increase in other expenses	1,174,942	-	1,174,942

Note 4. Business combinations

On 1 June 2021, Uniting AgeWell Limited completed the acquisition of the business assets of Andrew Kerr Care Limited for $2 cash consideration. The transaction is a business combination in accordance with AASB 3 'Business Combinations' as the Group obtained control of the processes and operations of the Andrew Kerr Care business.

Andrew Kerr Care provides aged care services including residential and home care, to the Mornington Peninsula community.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	1,592,944
Trade and other receivables	4,023,480
Other financial assets	3,122,210
Other current assets	36,634
Land and buildings	27,005,000
Property, plant and equipment	412,657
Intangibles	3,802,500
Trade and other payables	(1,007,751)
Provisions	(1,591,558)
Refundable accommodation deposits	(24,018,777)
Net assets acquired	13,377,339
Goodwill	5,192,500
Acquisition-date fair value of the total consideration transferred	18,569,839
Representing:	
Cash paid or payable to vendor	2
Acquisition reserve	18,569,837
	18,569,839

The acquired business contributed revenues of $901,273 and net loss of $221,632 to the Group for the period from 1 June 2021 to 30 June 2021.

Note 5. Revenue

	Consolidated 2021 $	Consolidated Restated 2020 $
Aged care, home care and retirement living revenue		
Government contributions	181,225,774	161,840,518
Resident/client fees	43,071,017	41,951,056
Other operating revenue	14,088,877	18,150,316
Deferred management fees	3,096,061	2,245,566
	241,481,729	224,187,456
Other revenue		
Donations, bequests and fundraising	181,027	266,762
Dividends	3,460,071	5,988,398
Interest revenue	155,793	76,006
Revenue from achievement of performance obligations as a lessee	1,864,115	1,864,115
Other revenue	867,035	1,023,198
	6,528,041	9,218,479
Revenue	248,009,770	233,405,935

Note 6. Expenses

	Consolidated 2021 $	Consolidated Restated 2020 $
Deficit before income tax includes the following specific expenses:		
Finance costs		
Interest on accommodation bonds/refundable accommodation deposits	8,252,100	12,261,490
Interest on lease liabilities	190,569	54,801
Finance costs expensed	8,442,669	12,316,291
Superannuation expense		
Superannuation expense	13,576,090	12,124,882
Depreciation and amortisation expense		
Right-of-use assets - land	1,354,551	1,354,551
Right-of-use assets - buildings and building improvements	7,958,148	5,561,821
Plant and equipment	1,720,775	1,520,296
Furniture, fixtures and fittings	1,879,241	1,401,796
Motor vehicles	116,977	60,549
Computer equipment	246,084	205,861
Software	1,169,248	1,317,288
	14,445,024	11,422,162

Note 7. Cash and cash equivalents

	Consolidated 2021 $	Restated 2020 $
Current assets		
Cash on hand	15,026	17,890
Cash at bank	11,615,099	21,789,962
	11,630,125	21,807,852

Note 8. Trade and other receivables

	Consolidated 2021 $	Restated 2020 $
Current assets		
Trade receivables	2,763,766	1,970,646
Less: Allowance for expected credit losses	(641,521)	(543,134)
	2,122,245	1,427,512
Other receivables	1,854,314	3,531,543
	3,976,559	4,959,055

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

Note 9. Other financial assets

	Consolidated 2021 $	Restated 2020 $
Current assets		
Deposits with U Ethical Funds Management (Cash Portfolio) - amortised cost	93,353,718	111,974,842
Investments with U Ethical Funds Management (Growth Portfolio) - fair value through profit or loss	120,101,262	87,207,015
	213,454,980	199,181,857

Note 10. Other assets

	Consolidated 2021 $	Consolidated Restated 2020 $
Current assets		
Contract assets	2,159,901	2,984,952
Prepayments	1,973,342	1,129,330
Inventory	144,262	561,086
Other current assets	438,184	699,802
	4,715,689	5,375,170
Non-current assets		
Contract assets	4,275,046	2,515,847
Other non-current assets	145,773	145,773
	4,420,819	2,661,620
	9,136,508	8,036,790

Note 11. Property, plant and equipment

	Consolidated 2021 $	Restated 2020 $
Non-current assets		
Owned land - at cost	9,710,000	-
Leased land (right-of-use assets) - at cost	134,100,500	134,100,500
Less: Accumulated depreciation	(2,709,102)	(1,354,551)
	131,391,398	132,745,949
Buildings and building improvements - at cost	218,482,504	192,895,358
Less: Accumulated depreciation	(12,270,464)	(5,561,821)
	206,212,040	187,333,537
Plant and equipment - at cost	11,076,156	11,092,194
Less: Accumulated depreciation	(2,593,516)	(1,520,296)
	8,482,640	9,571,898
Furniture, fixtures and fittings - at cost	14,081,882	13,049,959
Less: Accumulated depreciation	(2,984,319)	(1,401,796)
	11,097,563	11,648,163
Motor vehicles - at cost	545,489	531,962
Less: Accumulated depreciation	(55,778)	(60,549)
	489,711	471,413
Computer equipment - at cost	982,803	658,034
Less: Accumulated depreciation	(442,289)	(205,861)
	540,514	452,173
Capital works in progress - at cost	14,301,331	7,444,003
	382,225,197	349,667,136

Note 11. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land (owned and leased) $	Buildings & building improv. $	Plant & equipment $	Furniture, fixtures & fittings $	Motor vehicles $	Computer equipment $	Capital WIP $	Total $
Balance at 1 July 2020	132,745,949	187,333,537	9,571,898	11,648,163	471,413	452,173	7,444,003	349,667,136
Additions through business combinations (note 4)	9,710,000	17,295,000	-	406,428	6,229	-	-	27,417,657
Additions (net of transfers)	-	4,013,393	770,853	1,144,097	136,555	334,425	6,857,328	13,256,651
Additions (new leases)	-	5,797,709	-	-	-	-	-	5,797,709
Disposals	-	(269,451)	(139,336)	(221,884)	(7,509)	-	-	(638,180)
Depreciation expense	(1,354,551)	(7,958,148)	(1,720,775)	(1,879,241)	(116,977)	(246,084)	-	(13,275,776)
Balance at 30 June 2021	141,101,398	206,212,040	8,482,640	11,097,563	489,711	540,514	14,301,331	382,225,197

	Consolidated 2021 $	**Consolidated Restated 2020 $**
Included in the above Buildings & building improvements line item:		
Right-of-use	6,327,184	1,561,793

Note 12. Investment properties

	Consolidated 2021 $	**Consolidated Restated 2020 $**
Non-current assets		
Right-of-use assets (land) - at valuation	50,447,000	50,447,000
Buildings and building improvements - at valuation	110,003,515	110,003,515
	160,450,515	160,450,515

Consolidated	Right-of-use (land) $	Buildings & building improv. $	Total $
Balance at 1 July 2020	50,447,000	110,003,515	160,450,515
Additions	-	-	-
Disposals	-	-	-
Balance at 30 June 2021	50,447,000	110,003,515	160,450,515

Note 12. Investment properties (continued)

Valuation of investment properties
The basis of the valuation of investment properties is fair value. The investment properties were valued during the year on transfer from The Uniting Church in Australia Property Trust (Victoria) and The Uniting Church in Australia Property Trust (Tas.), by an independent expert valuer based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Note 13. Intangibles

	Consolidated	
		Restated
	2021	**2020**
	$	**$**
Non-current assets		
Goodwill - at cost	9,751,163	4,558,663
Bed licences - at deemed cost	45,282,500	41,480,000
Software - at cost	4,588,354	2,958,345
Less: Accumulated amortisation	(2,486,537)	(1,317,288)
	2,101,817	1,641,057
	57,135,480	47,679,720

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Goodwill $	Bed licences $	Software $	Total $
Balance at 1 July 2020	4,558,663	41,480,000	1,641,057	47,679,720
Additions through business combinations (note 4)	5,192,500	3,802,500	-	8,995,000
Additions (net of transfers)	-	-	1,630,008	1,630,008
Amortisation expense	-	-	(1,169,248)	(1,169,248)
Balance at 30 June 2021	9,751,163	45,282,500	2,101,817	57,135,480

Goodwill
Goodwill arose through business combination(s). On an annual basis the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the carrying amount to determine whether there is any impairment. No impairment loss has been recognised in the current year.

Note 14. Trade and other payables

	Consolidated 2021 $	Restated 2020 $
Current liabilities		
Trade payables	8,234,265	4,314,335
Sundry payables and accrued expenses	6,921,768	13,218,259
	15,156,033	17,532,594

Trade payables, sundry payables and accrued expenses are non-interest bearing liabilities. Trade payable payments are processed once they have reached 30 days from the date of invoice for electronic funds transfer payments or cheque payment or 30 days from the end of the month of invoice for other payments. No interest is charged on trade payables.

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Note 15. Contract liabilities

	Consolidated 2021 $	Restated 2020 $
Current liabilities		
Contract liabilities as a lessee	1,864,115	1,864,115
Contract liabilities as a provider of services	19,425,087	16,687,644
	21,289,202	18,551,759
Non-current liabilities		
Contract liabilities as a lessee	178,955,056	180,819,171
	200,244,258	199,370,930

Note 16. Provisions

	Consolidated 2021 $	Restated 2020 $
Current liabilities		
Employee benefits	27,260,597	29,430,972
Other	1,860,000	1,841,838
Resident capital gain	1,942,204	2,251,204
	31,062,801	33,524,014
Non-current liabilities		
Employee benefits	6,375,636	5,461,131
	37,438,437	38,985,145

Reconciliations
Reconciliations of provisions at the beginning and end of the current financial period are set out below:

Note 16. Provisions (continued)

	Consolidated 2021 $
Balance at 1 July 2020	38,985,145
Additional provision for underpayments of employee entitlements	1,550,751
Reversal of provision for certain casual employee arrangements	(6,203,004)
Additions through business combinations (note 4)	1,591,558
Additional employee benefits recognised	1,822,987
Movement relating to resident capital gain	(309,000)
Balance at 30 June 2021	37,438,437

Provision for underpayment of employee entitlements
The underpayment of employee entitlements is a significant issue for Australian businesses. The Group, in the normal course of business, has commissioned an external review of employee entitlements to ensure compliance with Enterprise Bargaining Agreements and Industrial Awards. Whilst the review is continuing to determine the extent of the remediation required, a provision has been recognised as at 30 June 2021, which represents an estimation of historical payment shortfalls and the Group's present obligation. The portion of the provision relating to former employees has been recognised as an other provision, with the remaining value of the provision relating to current employees recognised within the employee benefits provision. Prior periods have also been restated, as discussed in Note 3.

Provisions for certain casual employee arrangements
The Group, as with many aged care providers, has many employees who work on a 'casual' basis to provide care and services to its residents. In prior year, based on a review of the casual employment arrangements, the Group identified that certain casual employee arrangements meet the majority of the facts of the employment arrangements considered in WorkPac v Rossato, which ruled that certain casual employees should receive annual, personal and compassionate leave, in addition to any remuneration previously received. The Group therefore recognised a provision for any additional leave benefits at 30 June 2020. The portion of the provision relating to former employees was recognised as an other provision, with the remaining value of the provision relating to current employees recognised within the employee benefits provision.

On 22 March 2021, the Federal Government passed legislation to amend the Fair Work Act 2009 in direct response to the WorkPac v Rossato decision, which included a statutory definition of a 'casual' employee. The amendment came into effect on 27 March 2021, and is applied retrospectively. On 4 August 2021, the High Court overturned the WorkPac v Rossato ruling and a 'casual' arrangement was one where no firm advance commitment is made to the employer and in written contract.

The Group has assessed their casual employment arrangements against the new legislation, and applied judgement to determine that there is no longer a present obligation.

Note 17. Resident ingoings

	Consolidated 2021 $	Consolidated Restated 2020 $
Current liabilities		
Resident ingoings	327,985,385	301,711,116

Note 18. Lease liabilities

	Consolidated 2021 $	Restated 2020 $
Current liabilities		
Lease liabilities - external parties	866,440	643,632
Lease liabilities - related parties	1	1
	866,441	643,633
Non-current liabilities		
Lease liabilities - external parties	5,668,797	1,065,619
Lease liabilities - related parties	96	97
	5,668,893	1,065,716
	6,535,334	1,709,349

Total cash outflow for leases during the period totalled $1,162,292 (2020: $879,897).

Note 19. Key management personnel disclosures

Compensation
The aggregate compensation made to the key management personnel of the Group is set out below:

	Consolidated 2021 $	Restated 2020 $
Total compensation	3,147,045	2,899,348

Note 20. Contingent liabilities

The underpayment of employee entitlements is a significant issue for Australian businesses and many employers have reported underpayments to Fair Work Australia in recent years. The Group, in the normal course of business, has commissioned an external review of employee entitlements to ensure compliance with Enterprise Bargaining Agreements and Industrial Awards. The review is continuing to determine the extent of underpayments and at this point in time, the amount of any obligation cannot yet be measured with sufficient reliability. Currently, the Group has recorded a provision for the current and prior periods, which represents an estimation of historical shortfalls at the time of the potential exposure (refer to note 16).

Note 21. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

Note 21. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2021 $	Consolidated Restated 2020 $
Revenue:		
Dividend income from U Ethical Funds Management	3,460,071	5,988,398
Payment for other expenses:		
Other expenses with entities of which Board Members are employees/Directors/associates	220,041	377,346

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2021 $	Consolidated Restated 2020 $
Lease liabilities to The Uniting Church in Australia Property Trust (Victoria) and the Uniting Church in Australia Property Trust (Tas.)	97	98

Financial assets receivable from related parties
The following balances are receivable at the reporting date in relation to financial assets held by related parties:

	Consolidated 2021 $	Consolidated Restated 2020 $
Current receivables:		
Deposits with U Ethical Funds Management (Cash Portfolio)	96,453,718	111,974,842
Investments with U Ethical Funds Management (Growth Portfolio)	116,923,014	87,207,015

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. Commitments

	Consolidated 2021 $	Consolidated Restated 2020 $
Capital expenditure commitments at the reporting date:		
Within one year	2,093,619	9,360,000

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary of the Company in accordance with the accounting policy described in Note 2:

		Ownership interest	
			Restated
Name	Principal place of business / Country of incorporation	2021 %	2020 %
Guardian Network Pty Ltd	Australia	100.00%	100.00%

Note 24. Events after the reporting period

During the financial year the COVID-19 pandemic has had a significant impact on local and international economies. Subsequent to balance date, another wave of the COVID-19 pandemic has occurred within Victoria. While the short-term impact to the Company has been estimated when considering the going concern assumption in the preparation of the financial report, the longer term impacts of COVID-19 on the operations of the Company remain uncertain and cannot be quantified at this time.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Uniting AgeWell Limited
Directors' declaration
30 June 2021

The directors of the Company declare that the consolidated financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:

- Comply with Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013; and

- Give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date.

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

Signed in accordance with a resolution of directors.

On behalf of the directors

R Thompson

Ms Raelene Thompson
Chairperson

J L Begg

Ms Jan Begg
Board Director

28 September 2021

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Independent Auditor's Report

To the Members of Uniting AgeWell Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Uniting AgeWell Limited (the 'Company') and its subsidiaries (collectively the 'Group'), which comprises the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 financial report of Uniting AgeWell Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

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

b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Information Other than the Financial Report and Auditor's Report

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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 Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Registration No. 418109

Melbourne, 28 September 2021