SOUTHERN CROSS CARE (TASMANIA) INC.

ABN: 18 773 507 851

Financial Report of Southern Cross Care (Tasmania) Inc.

For the Year Ended 30 June 2024

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For the Year Ended 30 June 2024

Contents

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Board's Report

30 June 2024

Board Members

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

Mr Stephen Shirley (resigned 11 August 2023)
Ms Judith Fishlock (resigned on 15 April 2024)
Mrs Alex MacAskill
Ms Alayne Baker
Mr Anthony Wyatt (resigned 30 November 2023)
Mr Esteban Cox (resigned 8 September 2023)
Ms Sonya Beyers (appointed 21 November 2022)
Dr Jane Sargison (appointed 20 November 2023)
Ms Kelly Walker (appointed 20 November 2023)
Ms Kellie Dean (appointed 20 November 2023)
Ms Christine Kilpatrick (appointed 1 January 2024, resigned 12 April 2024)
Ms Leonie Fowke (appointed 27 May 2024)
Ms Caroline Wells (appointed 27 May 2024)

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 (Tasmania) Inc. (the Association) operations in the 2023-2024 year. There has been no change to the number or location of Residential Aged Care homes or Retirement villages in operation.

Subsequent events

The sale of properties located at Mary's Grange was completed on 21 August 2024, with the net proceeds of $3 million used to repay part of the wage underpayment loan held with Catholic Development Fund (CDF) Bank.

In October 2024 the Association received confirmation from CDF that the Line of Credit and overdraft facilities have been extended for a further 12 months to 31 October 2025, and the wage underpayment loan for a further 5 years to 31 October 2029.

Operating result

The surplus/(deficit) of Southern Cross Care (Tasmania) Inc. for the financial year amounted to $47,343,704 compared to the previous year (2023: deficit $8,749,193).

Signed in accordance with a resolution of the Board members:

Chair: .... Treasurer: ....
Sonya Beyers Kelly Walker

Dated this 31st day of October 2024

Southern Cross Care (Tasmania) Inc.

ABN: 18 773 507 851

Statement of Comprehensive Income

For the Year Ended 30 June 2024

	Note	2024 $'000	2023 $'000
Revenue			
Government Subsidies		73,209	64,858
Resident Charges		29,359	23,205
Retention Income and Deferred Management Fees		6,554	6,137
Interest Received	3	250	238
Donations		10	163
Gain/(loss) on Disposal of Asset		448	-
Other Income		558	721
Total Revenue		**110,388**	**95,322**
Expenses			
Administration Expenses		8,878	5,832
Care Expenses		2,998	4,168
Catering Costs		4,137	3,433
Depreciation and Amortisation	8(a), 9, 10	9,484	9,250
Employee Related Expenses		83,159	64,142
Interest Expense	11	1,130	1,314
Impairment of Goodwill		6,012	-
IT Support Costs		2,307	1,740
Other Expenses		6,563	4,538
Repairs and Maintenance		7,598	4,434
Utility Expenses		4,088	3,738
Total Expenses		**136,354**	**102,589**
Deficit from Operations		**(25,966)**	**(7,267)**
Gain/(loss) on Revaluation of Investment Properties		99,275	-
Resident's Share of Capital Gain		(25,965)	(1,482)
Net Surplus/ (Deficit) for the Year		**47,344**	**(8,749)**
Other Comprehensive Surplus /(Deficit)		-	-
Total Comprehensive Income/(Deficit) for the Year		**47,344**	**(8,749)**

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 2024

ASSETS	Note	2024	2023
		$'000	$'000
CURRENT ASSETS			
Cash and Cash Equivalents	4	13,103	3,070
Trade and Other Receivables	5	5,143	6,988
Other Financial Assets		1,167	6,148
Assets Held for Sale	6	1,874	-
Total Current Assets		**21,287**	**16,206**
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	137,232	143,594
Investment Properties	9	292,201	197,658
Right-of-Use Assets	10, 1(r)	113	260
Goodwill and Intangible Assets	7, 1(i)	4	6,612
Total Non-Current Assets		**429,550**	**348,124**
Total Assets		**450,837**	**364,330**
LIABIITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	10,117	8,012
Employee Benefits Provision	13	8,251	6,452
Other Provisions - Expected to be settled within 12 months	14	21,692	1,482
Other Provisions - Expected to be settled after 12 months	14	19,687	16,296
Borrowings	15	4,549	7,712
Accommodation Deposits - Expected to be settled within 12 months	16	29,978	29,154
Accommodation Deposits - Expected to be settled after 12 months	16	76,367	70,614
Entry Ingoings - Expected to be settled within 12 months	16	6,337	7,104
Entry Ingoings - Expected to be settled after 12 months	16	139,135	131,432
Lease Liabilities	1(r)	69	90
Other Liabilities	17	7	-
Total Current Liabilities		**316,189**	**278,348**
NON-CURRENT LIABILITIES			
Employee Benefits Provision	13	738	603
Borrowings	15	15,469	13,970
Lease Liabilities	1(r)	58	185
Other Liabilities	17	704	890
Total Non-Current Liabilities		**16,969**	**15,647**
Total Liabilities		**333,158**	**293,995**
NET ASSETS		**117,679**	**70,335**
EQUITY			
Reserves	18	92,887	92,887
Accumulated surplus/(deficit)		24,792	(22,552)
TOTAL EQUITY		**117,679**	**70,335**

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 2024

	Note	2024	2023
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Operations		106,318	86,423
Payments to Suppliers and Employees		(118,710)	(97,707)
Interest Received		250	238
Interest Paid		(1,494)	(1,595)
Net Cash Used in Operating Activities		**(13,636)**	**(12,641)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Property, Plant and Equipment		3,266	230
Purchase of Property, Plant and Equipment		(3,441)	(3,566)
Other Investment Proceeds		4,980	-
Net Cash Provided by Investing Activities		**4,805**	**(3,336)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments Capitalised Leases		(88)	(51)
Accommodation Deposits Received		40,066	33,411
Accommodation Deposits Refunded		(33,331)	(28,121)
Entry Ingoings and Deposits Received		24,244	12,558
Entry Ingoings and Deposits Refunded		(10,517)	(8,398)
Deeming and Resident Comfort Accounts		-	(20)
Proceeds from Borrowings		-	1,829
Repayments of Borrowings		(2,105)	(1,402)
Purchase/(Proceeds) of Intangible Assets		595	(600)
Net Cash Provided by Financing Activities		**18,864**	**9,206**
Net Increase/ (Decrease) in Cash and Cash Equivalents Held		10,033	(6,771)
Cash and Cash Equivalents at Beginning of Financial Year		3,070	9,841
Cash and Cash Equivalents at End of Financial Year	4	**13,103**	**3,070**

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 2024

	Surplus / (Deficit)	Reserve	Total
	$'000	$'000	$'000
Balance at 1 July 2023	(22,552)	92,887	70,335
Net Surplus/(Deficit) for The Year	47,344	-	47,344
Other Comprehensive Income	-	-	-
Balance at 30 June 2024	**24,792**	**92,887**	**117,679**
Balance at 1 July 2022	(13,803)	92,887	79,084
Net Surplus/(Deficit) for The Year	(8,749)	-	(8,749)
Other Comprehensive Income	-	-	-
Balance at 30 June 2023	**(22,552)**	**92,887**	**70,335**

The accompanying notes form part of these financial statements.

This financial report covers Southern Cross Care (Tasmania) Inc., 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. Accordingly, the financial statements Australian Accounting Standards - Simplified Disclosures.

1. Summary of Material Accounting Policy Information

(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.

Where the Association retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements, is presented.

(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 (j)).

(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. During the 2024 financial year there were no adjustments made to the fair value of land and buildings held (2023: nil).
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.

The Association has engaged an appropriately qualified valuer to perform valuations of the land and buildings of all residential aged care homes. This is expected to be recognised in the 2025 financial year.

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) Investment Properties

Investment property, comprising the retirement village freehold land and buildings, is held to generate long-term rental yields and capital appreciation. All tenant leases are on an arm's length basis. Investment properties are initially measured at cost and subsequently measured at fair value. Fair value of investment properties is determined annually based on valuation by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued.

Changes to fair values of investment properties are recognised in the profit or loss in the periods in which they arise.

(g) 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.

(h) 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.

(i) 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. In the financial year the goodwill on acquisition of the Rivulet Aged Care Facility was determined to be impaired and has been written-off in compliance with 'AASB136 *Impairment of Assets*'.

(j) 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.

(j) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 (Share of Capital Gain)

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.

Further detail on the calculation of the provision has been included in note 2.

(o) Accommodation Deposits

Accommodation deposits are non-interest bearing deposits made by aged care facility residents to the Association upon their admission to accommodation. The liability is carried at the amount that would be payable on departure or transfer of the resident. This is the amount received on entry of the resident less deductions for fees and retentions pursuant to the Aged Care Act 1997. Once a refunding event occurs the receivable becomes interest bearing. The interest rate varies according to Department of Health rates.
These funds are guaranteed under the Accommodation Bond (Guarantee Scheme) which came into operation on the 31 May 2006.

(o) Accommodating Deposits (Contd.)

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 $29,978,023 (2023: $29,154,008) 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.

(p) 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 $6,337,324 (2023: $7,103,936) 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 (DMF) are not settled in cash until such time as the resident departs, accordingly a DMF 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 DMF receivable with the resident entry ingoings. In practice the 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 has been recognised for these amounts.
This financial year the Association changed the accounting approach in respect of the timing of recognition of DMF income. This is detailed in note (x).

(q) 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.

(r) 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.

(r) 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.

(s) 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.

(t) 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.

(t) Revenue and Other Income (Contd.)

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.

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 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.

(t) Revenue and Other Income (Contd.)

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.

(u) 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.

(v) 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.

(w) Intangible Assets

Intangible assets are only recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Association, and the costs can be reliably measured. Intangible assets are capitalised at cost. The useful lives of the 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.

(x) New Accounting Standards and Interpretations

The Association has considered the impact of 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.

2. Critical Accounting Estimates and Judgements (Contd.)

Previously deferred management fees relating to retirement village units were recognised in the income statement annually in advance for each unit based on the month of the initial contract commencement. This approach is consistent with the terms of the contracts and the Association is legally entitled to charge this fee on that frequency. However in 2024 the Association changed the timing of recognition of this income to be on a straight-line basis over the full expected period of occupancy, being an estimated eight year tenure. In compliance with 'AASB 16 *Leases* ', this accounting treatment was deemed a more suitable recognition approach despite the difference in contractual terms for some residents. The change in accounting policy under AASB108 resulted in the establishment of a DMF income in advance liability balance at 30 June 2024 of $2.6m, a profit impact of $113k in the 2024 financial year, as well as a change to the 2023 equity of $2.5m.

Key estimates - property held at fair value
The fair value method requires any movements in the fair value to be recognised in the statement of profit or loss and other comprehensive income. An independent valuation of the retirement villages carried at fair value was obtained as at 30 June 2024 from an appropriately qualified valuer. The fair value was determined using a discounted cash flow methodology and is based on projected cash flows using current market value of individual units and DMF. In accordance with 'AASB140 'Investment Properties', the retirement villages have been classified to be investment properties on the basis that minimal additional (ancillary) services are provided as part of the contractual arrangements.

The Association has engaged an appropriately qualified valuer to perform valuations of the land and buildings of all residential aged care homes. Valuation adjustments are expected to be recognised in the 2025 financial year.

Key estimates - provisions - licence to occupy contracts (share of capital gains)
The provision recognises the resident's portion of any future capital gain on increase in the value of the retirement village unit. 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 recent contracts, the property valuation.
The provision has been adjusted at 30 June 2024 to reflect the valuations obtained for each individual unit, with consideration of the eligibility of each occupant to a share in capital gain. As the Association has removed a the eligibility for capital gain from resident agreements, this provision is expected to reduce over time with the turnover of units, pending further increasing valuation adjustments.

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 continuing to experience 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 the 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. While there has been continued growth in the average basic subsidy received over the past 12 months it is important that the Association continues to drive appropriate funding levels through resident assessments when required, as well as maintaining high occupancy. Vacancies in retirement villages are low with waiting lists in place.

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3. Interest Revenue	**2024**	**2023**
	$'000	$'000
Interest Revenue From		
Entry Ingoings	-	49
Term Deposits	250	189
Total Interest Revenue	**250**	**238**

4. Cash and Cash Equivalents	**2024**	**2023**
	$'000	$'000
Cash on Hand	38	627
Cash at Bank	13,065	2,443
Total Cash and Cash Equivalents	**13,103**	**3,070**

As at 30 June 2024 the Association has access to a $5m Line Of Credit and $5m overdraft facility through the Catholic Development Fund. At 30 June 2024 nil had been drawn on the line of credit or overdraft.

5. Trade and Other Receivables	**2024**	**2023**
	$'000	$'000
Expected to be Settled Within 12 Months		
Trade and Other Receivables	7,398	7,833
Provision for Impairment/ Expected Credit Losses	(2,255)	(845)
Total Trade and Other Receivables	**5,143**	**6,988**

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.

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

	2024	**2023**
	$'000	$'000
Balance at Beginning of the Year	845	318
Movement Through Provision	1,410	527
	2,255	**845**

5. Trade and Other Receivables (Contd.)

The provision for doubtful debt as at 30 June 2024 is determined 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.

6. Assets Held for Sale

Movement in the carrying amount of assets held for sale between the beginning and the end of the current financial year.

	2024 $'000	2023 $'000
Grange Avenue properties - at cost	1,874	-
Total Assets Held for Sale	**1,874**	**-**

The assets held for sale balance consists of the Mary's Grange properties at 1, 3 and 5 Grange Avenue Taroona. In compliance with 'AASB 5 Non-current assets held for sale and discontinued operations', at 30 June 2024 the properties have been classified as held for sale as they were determined to be available for sale in their immediate condition, and the sale was highly probable. The assets were transferred at their current carrying value. As now classified as held for sale they are not subject to depreciation. Noting that in the prior financial year they were included in the Property, Plant and Equipment balance. As disclosed in the subsequent events note in the Board Report, the sale completed on 21 August 2024 with net proceeds received of $3m. The gain on disposal is to be recognised in the statement of comprehensive income in the 2025 financial year.

7. Goodwill and Intangible Assets	2024 $'000	2023 $'000
Goodwill	-	6,012

In the financial year the goodwill on acquisition of the Rivulet Aged Care Facility was determined to be impaired and has been written-off in compliance with AASB136 Impairment of Assets.

	2024	2023
Software licences		
Opening Balance	600	88
Additions	-	627
Disposals	(462)	-
Amortisation charge for the year	(134)	(115)
Net movement 2023/24	**4**	**600**
Total Goodwill and Intangible Assets	**4**	**6,612**

Under 'AASB138 Intangible Assets', software costs associated with the establishment of SaaS software have been expensed during the period.

8. Property, Plant and Equipment	2024	2023
	$'000	$'000
Land and Buildings		
Freehold Land at Independent Valuation	14,976	17,189
Buildings and Improvements at Independent Valuation	133,230	131,589
Buildings and Improvements Accumulated Depreciation	(15,536)	(12,251)
Total Land and Buildings	**132,670**	**136,527**
Capital Works in Progress		
Capital Works in Progress at Cost	683	3,124
Total Capital Works in Progress	**683**	**3,124**
Plant and Equipment, Furniture and Fittings		
Furniture & Fittings at Cost	1,076	1,383
Furniture & Fittings Accumulated Depreciation	(476)	(737)
Total Furniture & Fittings	**600**	**646**
Plant & Equipment at Cost	3,907	12,747
Plant & Equipment Accumulated Depreciation	(1,909)	(10,697)
Total Equipment - Other	**1,998**	**2,050**
Equipment - Information Technology at Cost	1,901	2,002
Equipment - Information Technology Accumulated Depreciation	(755)	(975)
Total Equipment - Information Technology	**1,146**	**1,027**
Total Plant & Equipment, Furniture and Fittings	**3,744**	**3,722**
Motor Vehicles		
Motor Vehicles at Cost	488	2,107
Motor Vehicles Accumulated Depreciation	(353)	(1,886)
Total Motor Vehicles	**135**	**221**
Total Property, Plant & Equipment	**137,232**	**143,594**

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8. 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 2024	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	17,189	119,338	3,124	2,048	221	1,028	646	143,594
Additions	-	2,151	-	539	36	606	109	3,441
Transfers	(1,633)	(241)	-	-	-	-	-	(1,874)
Disposals - Written Down Value	(580)	(235)	(2,442)	-	(9)	-	-	(3,266)
Depreciation Expense	-	(3,319)	-	(589)	(113)	(488)	(155)	(4,664)
Balance at the End of the Year	**14,976**	**117,694**	**683**	**1,998**	**135**	**1,146**	**600**	**137,232**

	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	17,189	157,453	1,911	1,694	350	488	721	179,806
Additions	-	249	1,213	1,152	-	896	56	3,566
Disposals - Written Down Value	-	(47,969)	-	(230)	-	-	-	(48,199)
Depreciation Expense	-	9,605	-	(569)	(129)	(356)	(131)	8,421
Balance at the End of the Year	**17,189**	**119,338**	**3,124**	**2,048**	**221**	**1,028**	**646**	**143,594**

9. Investment Properties

Movement in the carrying amount of investment properties between the beginning 'and the end of the current financial year.

	2024	2023 (restated)
	$'000	$'000
Investment properties - at valuation		
Reconciliation		
Opening fair value	197,658	202,341
Depreciation prior to reclassification	(4,732)	(4,718)
Additions/(Disposals)	-	35
Fair value increase/(decrease) for the year	99,275	-
Closing fair value	**292,201**	**197,658**

The retirement villages have previously been recognised as land and buildings and depreciated. In accordance with 'AASB 140 *Investment Properties* ' the retirement villages meet the definition of an investment property. Therefore in the 2024 financial year there has been a change in treatment on the revaluation of the retirement villages. Investment properties are initally recognised at cost (including transaction costs), and subsequently remeasured at either fair value or cost model.

The fair value method requires any movements in the fair value to be recognised in the statement of profit or loss and other comprehensive income. During the period the Association engaged an appropriately qualified valuer to perform an independent valuation of all investment properties held as at 30 June 2024. The fair value was determined using a discounted cash flow methodology and is based on projected cash flows using current market value of individual units and DMF. Income generated from the investment properties including service and maintenance fees and DMF is recognised in the Statement of Comprehensive Income. An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. There were no disposals during the period. The 2023 financial year comparative has been restated in line with 'AASB 108 *Accounting* Policies, Changes in Accounting Estimates and Errors'.

10. 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 2024	**Right-of-Use** $'000
Balance at the Beginning of the Year	260
Additions	-
Disposals - Written Down Value	(59)
Amortisation Expense	(88)
Balance at the End of the Year	**113**

Year ended 30 June 2023	**Right-of-Use** $'000
Balance at the beginning of the year	156
Additions	165
Disposals - Written Down Value	-
Amortisation Expense	(62)
Balance at the End of the Year	**260**

(a) Future Lease Payment Schedule	**Right-of-Use**
Repayment committed for	$'000
0-1 Years	73
1-5 Years	59

11. Interest Expense

	2024 $'000	**2023** $'000
Interest on Leases	9	8
Interest on Loans	1,121	1,305
	1,130	**1,314**

Finance costs comprise of the interest expense on borrowings and lease liabilities.

12. Trade and Other Payables	**2024**	**2023**
	$'000	$'000
Trade Payables	2,845	2,690
Sundry Payables and Accrued Expenses	3,877	2,071
Income in Advance (DMF)	2,606	2,493
Community CDC Accounts	789	758
Total Trade and Other Payables	**10,117**	**8,012**

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.

This financial year a decision was made to change the timing of recognition of DMF income, the financial impact of the decision has been disclosed in accordance with 'AASB108 *Accounting Policies, Changes* in Accounting Estimates and Errors'. As a result an income in advance liability has been recognised from the 2023 financial year.

13. Employee Benefits Provision	**2024**	**2023**
	$'000	$'000
Expected to be Settled Within 12 Months		
Annual Leave	6,068	4,671
Long Service Leave	2,183	1,781
Total Current	**8,251**	**6,452**
Not Expected to be Settled Within 12 Months		
Long Service Leave	738	603
Total Non-Current	**738**	**603**
Total Employee Benefits	**8,989**	**7,055**

(a) Movements in Carrying Amounts of Employee Benefits

	Annual Leave	**Long Service Leave**	**Total**
	$'000	$'000	$'000
Opening Balance at 1 July 2023	4,671	2,384	7,055
Leave Taken	(329)	(683)	(1,012)
Leave Accrued	1,726	1,220	2,946
Balance at 30 June 2024	**6,068**	**2,921**	**8,989**

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14. Other Provisions

The Association has adjusted the provision for resident share in capital gain in respect of retirement living units. The provision now reflects the independent valuations obtained for each individual unit as at 30 June 2024, and considers the eligibility of each resident for a share in capital gain as per their agreement.

	2024	2023 (restated)
	$'000	$'000
Provision for Resident Share of Capital Gain		
Expected to be Settled Within 12 Months	21,692	1,482
Expected to be Settled After 12 Months	19,687	16,296
Total Provision for Resident Share of Capital Gain	**41,379**	**17,778**

In previous financial reports this provision was classified as current and non-current based on a modelled estimation. A decision was made this financial year to reclassify the full balance of provisions as current liabilities, to ensure compliance with Australian Accounting Standards. However the timing of the obligation to pay the capital gain share means it is unlikely for the full balance to be paid within 12 months. The balance shown as expected to be settled within 12 months has been calculated based on the expected tenure of residents.

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

	Resident Share of CGT	Total
	$'000	$'000
Opening Balance	17,778	17,778
Additional Provisions	25,965	1,482
Provisions Used	(2,364)	(1,482)
Balance at 30 June 2024	**41,379**	**17,778**

15. Borrowings	2024	2023
	$'000	$'000
Expected to be Settled Within 12 Months		
Loan - Catholic Development Fund Tasmania	3,537	6,775
Loan - Department of Health and Ageing	1,012	937
Total Current	**4,549**	**7,712**
Not Expected to be Settled Within 12 Months		
Loan - Catholic Development Fund Tasmania	5,428	3,726
Loan - Department of Health and Ageing	10,041	10,244
Total Non-Current	**15,469**	**13,970**
Total Borrowings	**20,018**	**21,682**

Borrowing expected to settle within 12 months for Catholic Development Fund Tasmania includes $3m proceeds from the sale of the Grange Avenue properties.

The interest rate and maturity date for loans is as follows

Loan	Balance	Interest rate	Maturity date
DoH ZRIL	$6.75M	3.60%	2034
DoH ZRIL	$4.31M	3.60%	2036
Wages Underpayment	$5.89M	5.90%	2029
Mary's Grange	$3.07M	5.90%	2030

16. Resident Liabilities

	2024	2023 (restated)
	$'000	$'000
Accommodation Deposits - Expected to be settled within 12 months	29,978	29,154
Accommodation Deposits - Expected to be settled after 12 months	76,367	70,614
Entry Ingoings - Expected to be settled within 12 months	6,337	7,104
Entry Ingoings - Expected to be settled after 12 months	139,135	131,432
Total Current	**251,817**	**238,303**

In previous financial reports accommodation deposits and entry ingoings were classified as current and non-current based on a model of repayment history. A decision was made this financial year to reclassify the full balance of resident liabilities as current liabilities, to ensure compliance with Australian Accounting Standards. However the timing of the obligation of refund will not practically fall due within the next twelve months. The above table provides a view of the the expected settlement period for these liabilities. The prior year comparative has been restated.

17. Other Liabilities

	2024	2023
	$'000	$'000
Expected to be Settled Within 12 Months		
Rental bonds	7	-
Total Current	**7**	**-**
Not Expected to be Settled Within 12 Months		
Deeming Fund	225	225
Resident Comfort Accounts	479	664
Total Non-Current	**704**	**890**
Total Other Liabilities	**711**	**890**

18. Asset Revaluation Reserve

The asset revaluation reserve records fair value movements of property held under the revaluation model, excluding investment properties.

During the 2024 financial year there were no adjustments made to the fair value of land and buildings held (2023: nil). The Association has engaged an appropriately qualified independent valuer to perform valuations of the land and buildings of all residential aged care homes. This is expected to result in an increase in the value of the assets and is to recognised in the 2025 financial year.

19. 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

The Association operates across four segments detailed below:

	2024 $'000	2023 $'000
Segment Revenue		
Government Subsidies	73,209	64,858
Resident Charges	29,359	23,205
Retention Income and Deferred Management Fees	6,554	6,137
Interest Received	250	238
Donations	10	163
Gain/(loss) on Disposal of Asset	448	-
Other Income	558	721
Total Segment Revenue	**110,388**	**95,322**
Segment Expenses		
Administration Expenses	8,878	5,832
Care Expenses	2,998	4,168
Catering Costs	4,137	3,433
Depreciation and Amortisation	9,484	9,250
Employee Related Expenses	83,159	64,142
Interest Expense	1,130	1,314
Impairment of Goodwill	6,012	-
IT Support Costs	2,307	1,740
Other Expenses	6,563	4,536
Repairs and Maintenance	7,598	4,434
Utility Expenses	4,088	3,738
Total Segment Expenses	**136,354**	**102,589**
Surplus/ (Deficit) from Operations	**(25,966)**	**(7,267)**
Gain/(loss) on Revaluation of Investment Properties	99,275	-
Resident's Share of Capital Gain	(25,965)	(1,482)
Net Surplus/ (Deficit) for the Year	**47,344**	**(8,749)**

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19. Revenue and Expenses by Segment (Contd.)

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

	Residential Aged Care		*Retirement Villages*	
	2024	**2023 (restated)**	**2024**	**2023 (restated)**
	$'000	$'000	$'000	$'000
Segment Revenue				
Government Subsidies	65,839	55,354	-	-
Resident Charges	23,048	17,671	5,612	4,809
Retention Income and Deferred Management Fees	-	-	6,554	6,137
Interest Received	-	-	-	50
Donations	-	-	-	-
Gain/(loss) on Disposal of Asset	-	-	-	-
Other Income	130	180	52	39
Total Segment Revenue	**89,017**	**73,205**	**12,218**	**11,035**
Segment Expenses				
Administration Expenses	1,262	243	229	21
Care Expenses	2,873	2,647	75	13
Catering Costs	4,131	3,433	1	-
Depreciation and Amortisation	3,859	3,734	4,869	4,843
Employee Related Expenses	73,446	56,416	1,198	340
Interest Expense	-	-	-	-
Impairment of Goodwill	6,012	-	-	-
IT Support Costs	336	118	19	21
Other Expenses	12,461	9,149	1,796	1,979
Repairs and Maintenance	2,833	2,314	4,145	1,799
Utility Expenses	2,570	2,411	1,388	1,225
Total Segment Expenses	**109,783**	**80,465**	**13,720**	**10,241**
Surplus/ (Deficit) from Operations	**(20,766)**	**(7,260)**	**(1,502)**	**794**
Gain/(loss) on Revaluation of Investment Properties	-	-	99,275	-
Resident's Share of Capital Gain	-	-	(25,965)	(1,482)
Net Surplus/ (Deficit) for the Year	**(20,766)**	**(7,260)**	71,808	**(688)**

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Notes to the Financial Statements

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19. Revenue and Expenses by Segment (Contd.)

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

	Home & Community Care		*Other*	
	2024	**2023 (restated)**	**2024**	**2023 (restated)**
	$'000	$'000	$'000	$'000
Segment Revenue				
Government Subsidies	6,828	7,604	542	1,900
Resident Charges	699	725	-	-
Retention Income and Deferred Management Fees	-	-	-	-
Interest Received	-	-	250	188
Donations	-	-	10	163
Gain/(loss) on Disposal of Asset	-	-	448	-
Other Income	1	-	375	502
Total Segment Revenue	**7,528**	**8,329**	**1,625**	**2,753**
Segment Expenses				
Administration Expenses	375	65	7,012	5,503
Care Expenses	7	1,500	43	8
Catering Costs	-	-	5	-
Depreciation and Amortisation	115	79	641	594
Employee Related Expenses	6,314	5,432	2,201	1,954
Interest Expense	6	8	1,124	1,306
Impairment of Goodwill	-	-	-	-
IT Support Costs	75	20	1,877	1,581
Other Expenses	3,866	3,206	(11,560)	(9,796)
Repairs and Maintenance	40	57	580	264
Utility Expenses	24	22	106	80
Total Segment Expenses	**10,822**	**10,389**	**2,029**	**1,494**
Surplus/ (Deficit) from Operations	**(3,294)**	**(2,060)**	**(404)**	**1,259**
Gain/(loss) on Revaluation of Investment Properties	-	-	-	-
Resident's Share of Capital Gain	-	-	-	-
Net Surplus/ (Deficit) for the Year	**(3,294)**	**(2,060)**	**(403)**	**1,259**

20. Segment Assets and Liabilities

	Total		Residential Aged Care		Retirement Villages		Home & Community Care		Other	
Segment Assets	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000
Investment Properties	292,201	197,658	-	-	292,201	197,658	-	-	-	-
Land and Buildings	132,670	136,527	129,339	130,573	-	-	444	452	2,887	5,502
Plant and Equipment	4,562	7,068	2,650	4,315	854	870	29	335	1,029	1,547
Goodwill and Intangible Assets	4	6,612	4	6,612	-		-	-	-	-
Other Assets	21,400	16,465	5,413	4,480	66	88	404	136	15,517	11,761
Total Segment Assets	**450,837**	**364,330**	**137,406**	**145,980**	**293,121**	**198,616**	**877**	**923**	**19,433**	**18,810**

	Total		Residential Age Care		Retirement Villages		Home & Community Care		Other	
Segment Liabilities	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000	**2024** $'000	**2023** $'000
Employee Benefits Provision	8,989	7,055	-	-	-	-	-	-	8,989	7,055
Other Provisions	41,379	17,778	-	-	41,379	17,778	-	-	-	-
Accommodation Deposits	106,345	99,768	106,345	99,768	-	-	-	-	-	-
Entry Ingoings	145,472	138,536	-	-	145,472	138,536	-	-	-	-
Borrowings	20,018	21,682	11,053	11,181	-	-	-	-	8,965	10,501
Other Liabilities	10,955	9,175	478	686	2,831	2,698	917	1,033	6,729	4,759
Total Segment Liabilities	**333,158**	**293,995**	**117,876**	**111,635**	**189,682**	**159,012**	**917**	**1,033**	**24,684**	**22,315**
Total Segment Net Assets	**117,679**	**70,335**	**19,530**	**34,345**	**103,439**	**39,604**	**(40)**	**(110)**	**(5,250)**	**(3,505)**

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

Notes to the Financial Statements
30 June 2024

21. Auditors' Remuneration
Remuneration of the auditor, Wise Lord and Ferguson for:

	2024 $'000	2023 $'000
Audit of the Financial Report*	75	72
Other Services	-	-
	75	**72**

**including village statements, prudential return and going concern review*

22. 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 $207,597 was paid to Directors in Board sitting fees.

(b) Transactions with related parties

During the financial year a total of $177,000 was paid to the previous Chairperson for consulting services.

(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.

23. Key Management Personnel Remuneration
Total remuneration paid to key management personnel of the Association was $1,653,905 (2023: $1,708,002).

24. Contingent Assets and Contingent Liabilities
There are no contingent liabilities or contingent assets to be disclosed at 30 June 2024 (30 June 2023: Nil)

25. Events After the End of the Reporting Period
The sale of properties located at Mary's Grange was completed on 21 August 2024, with the net proceeds of $3 million used to repay part of the wage underpayment loan held with CDF.
In October 2024 the Association received confirmation from CDF that the Line of Credit and overdraft facilities have been extended for a further 12 months to 31 October 2025, and the wage underpayment loan for a further 5 years to 31 October 2029.

Since the end of the financial year, no other matters or circumstances have arisen that 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 periods.

26. 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 Aged Care.

27. 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. Occupancy at residential aged care facilities is forecast to be maintained, and vacancies in retirement villages are low.

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.

27. Going Concern (Contd.)

The Association has positive net assets of $118m at 30 June 2024 and is monitoring liquidity and reporting its position to the Board on a monthly basis. Cash flow forecasts are provided on a weekly basis.

The Association has recently identified and reported non-compliance with prudential obligations in respect of the permitted use of refundable accommodation deposits (RADs) of the residential aged care facilities. In order to rectify the situation, the Association is currently continuing to implement its turnaround plan to ensure financial sustainability, whilst also negotiating with its current financier to hold cash funds.
This would effectively increase the available funds on hand to meet the minimum prudential requirements in respect of RADs held. This is yet to be formalised at the date of signing this financial report.

The Association has sufficient net assets which could be realised to meet liquidity and operational needs. As such the Directors have determined that the Association is operating on a going-concern basis.

This financial year a decision was made to reclassify the balance of refundable resident loans (accommodation bonds, refundable accommodation deposits, and entry contributions) as current liabilities. This was to ensure compliance with 'AASB 101 *Presentation of Financial Statements*', which requires this disclosure due to the fact that the Association does not have an unconditional right to defer settlement of the liablity for at least 12 months after the reporting date. There is no contractual requirement for a resident to stay and departure notice may be given at any time with the loan balances being refundable within 14 days or 6 months (depending on contract type).

This accounting approach results in a prima facie deficiency in working capital, as the assets in which these liabilities relate (investment properties and property, plant and equipment) are required to be classified as non-current assets. However this does not reflect the true liquidity of the Association as the timing of refund obligation will not practically all fall due within the next 12 months.
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). As 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 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.

28. 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 2024 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*.

Chair: ....
Sonya Beyers

Treasurer: ....
Kelly Walker

Dated this ...31st........................ day of ….October.......................... 2024

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 2024, 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 2024

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 2024, 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 2024 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 27 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.

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 2024, 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

J Doyle

JOANNE DOYLE
Partner
Date: 31 October 2024