HammondCare and its Controlled Entities

ABN 48 000 026 219

Financial Report - 30 June 2021

Directors' Report

The Directors of HammondCare (referred to as "HammondCare" or "the Company" or "Parent Entity") present their report together with the financial report of the consolidated entities, being the Company and its controlled entities HammondCare Health & Hospitals Limited, HammondCare International Limited, and HammondCare UK and Europe Limited ("Group") for the financial year ended 30 June 2021, and the Auditor's Report. The Directors consider the reference to Responsible Persons and Responsible Entities in the Australian Charities and Not-for-profits Commission Act 2012 has the same meaning as the role of Director as defined by the Corporations Act 2001.

Directors' details

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Director	Qualifications	Experience
John Kightley	BCom, MPhil (Oxon), CA (SA), CFA Institute USA, GAICD	Former Chair, Maple-Brown Abbott Ltd Director since 4 November 2009 Appointed Chair 29 October 2015
Michael Monaghan	BA (Actuarial Studies) Macquarie University FIA, FIAA, FAICD	Director of Alpha Vista Financial Services Holdings Pty Ltd. Director Australian Ethical Investments Limited. Chair, Flag Income Notes 3 Pty Ltd. Director since 29 January 2008. Appointed Deputy Chair 29 October 2015 Retired 26 November 2020
Louise Parkes	BSc (Psychology) PhD (Psychology) GAICD	Principal Consultant, Voice Project Director since 8 December 2010
Robyn Langsford	BCom, Chartered Accountant GAICD	Partner, KPMG Director since 7 November 2012
Glynn Evans	B Arch Dip Building Construction	Retired Principal of Allen Jack & Cottier (AJ&C) Director since 13 December 2013
Annette Britton	MBBS, FRACP, GAICD	Retired Geriatrician. Director since 30 October 2014
Kate Thomas	BA, LLB	Special Counsel, Clayton Utz Director since 7 April 2015
Kok Kong Chan	BCom MSc (Management) CPA Australia, GAICD	Partner, Maritana Partners Director since 23 September 2016 Appointed Deputy Chair 27 November 2020
Adrian Blake	BE (Civil) (Hons) MBA MIEAust CPEng NER	Corporate Advisor and Engineer Director since 16 November 2018
Linda Justin	RN BN MBA, MSc (Coach Psych) GAICD	Chief Customer and Practice Officer, Aruma Director of Just Impact Pty Ltd Director since 28 August 2020
Carl Gunther	B Business Chartered Accountant GAICD	Retired Partner, KPMG Director since 7 December 2020

Meetings of Directors

During the financial year, 11 meetings of Directors of the Company were held. Attendances by each Director for the Company's meetings during the year were as follows:

	Board Meetings	
	Number eligible to attend	**Number attended**
John Kightley	11	9
Michael Monaghan	6	6
Louise Parkes	11	11
Annette Britton	11	11
Robyn Langsford	11	11
Glynn Evans	11	8
Kate Thomas	11	10
Kok Kong Chan	11	11
Adrian Blake	11	9
Linda Justin	9	9
Carl Gunther	4	4

Indemnities given to auditors and officers and insurance premiums paid

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company secretary, and all executive officers of the Company against a liability incurred as a Director, secretary or executive.

Particulars of premiums paid by the Company are prohibited from disclosure under the terms of the insurance contracts and policies.

The company entered into deeds of access, insurance and indemnity with Directors Linda Justin and Carl Gunther on 18 September 2020 and 10 December 2020 respectively.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

Board committees

The Board has established the following committees – Finance; Quality, Safety and Risk; Property; The HammondCare Foundation and Board Development. The following table sets out the number of committee meetings held during the financial year and the number of meetings attended by each director who was a member of that committee (while they were a member).

	Finance Committee		Quality, Safety and Risk Committee		Property Committee		The HammondCare Foundation		Board Development	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John Kightley	7	6	4	4	2	2	3	3	6	6
Michael Monaghan	2	2	1	1	1	0	-	-	4	4
Louise Parkes	-	-	4	4	-	-	-	-	-	-
Robyn Langsford	7	7	-	-	-	-	-	-	-	-
Annette Britton	7	7	4	4	-	-	-	-	-	-
Kate Thomas	-	-	4	3	2	1	-	-	6	6
Glynn Evans	-	-	-	-	2	2	-	-	-	-
Kok Kong Chan	-	-	4	3	2	1	3	3	6	6
Adrian Blake	-	-	-	-	2	2	-	-	-	-
Linda Justin	-	-	3	2	-	-	-	-	-	-
Carl Gunther	4	4	-	-	-	-	-	-	-	-

Company officers

	Qualifications	Experience
Michael Bruce Baird AO	BAEc DipCS	• Chief Executive Officer (since 1 September 2020) • Former NSW Premier and Senior Banking Executive
Stephen Edwin Judd AM	BA PhD FAICD	• Former Chief Executive (appointed 1995; retired 31 August 2020) • Former Company Secretary (appointed 1997; retired 31 August 2020) • Over 25 years' experience in the health care and information technology industries
David Alan Lewis	BCom LLB FGIA	• Appointed Company Secretary 29 October 2003 • 19 years' prior experience in law and industrial relations

Company particulars

HammondCare, incorporated and domiciled in Australia, is a public company limited by guarantee. The address of the registered office is Level 4, 207B Pacific Highway, St Leonards, NSW, 2065.

HammondCare is a registered charity and tax deductible gift recipient.

Principal activities and results

The principal activities of the Group during the financial year were the provision of residential aged care services, community aged care services, health and hospital services, and dementia consulting services.

Net Surplus and Total Comprehensive Income

	FY 2021 $ Million	FY 2020 $ Million	Movement $ Million
Underlying Net Surplus	7.0	6.2	0.8
Net Gain on revaluation of Investment property (1)	11.4	16.6	-5.2
Net Loss on Intangible Asset (2)	-45.7	-0.8	-44.9
Reportable Net (Deficit)/Surplus	**-27.3**	**22.0**	**-49.3**
Other comprehensive income (3)	8.9	-11.8	20.7
Total Comprehensive (Loss)/ Income	**-18.4**	**10.2**	**-28.6**

(1) A non-cash transaction recognised as a result of the revaluation of the Group's Independent Living Units;
(2) A non-cash transaction to record the impairment of Bed Licences;
(3) A non-cash transaction recognised as a result of the revaluation of the Group's land and buildings (mainly Residential Care facilities) and available for sale financial assets.

During the Financial Year ended 30 June 2021 ("**FY 2021**") the Group recorded an Underlying Net Surplus of $7.0M (FY 2020: $6.2M). HammondCare At Home delivered strong results from continued growth in Consumer Directed Care packages and finished the year with a surplus of $10.6M up $3.2M over the previous year. Similarly, the Independent Living business performed strongly to achieve $6.5M up $1.7M over FY 2020. The HammondCare Foundation contributed $6.3M to the Underlying Net Surplus which is an increase of $1.1M over the previous year and we are grateful to the many generous donors for their support. These funds have been directed to many initiatives including the Palliative Care Dreams Project to enrich end of life experiences for patients and their families. Distributions received from the prudential reserve investments performed strongly in line with the buoyant financial markets returning $8.2M up $6.5M over FY 2020.

The Residential Care business continues to experience financial stress and finished the year with a deficit of $16.3M down $3.8M over the previous year. The loss was largely due to the long-term effect of the Federal Government's funding increases not keeping pace with workforce annual wage increases. We welcome recent announcements by the Government in response to the Royal Commission for increased funding over coming years that will go a long way to support the industry. Commissioning of new services has also unfavourably impacted results in the short-term with occupancy ramp-ups slower than anticipated, exacerbated by the pandemic. Management has formalised a robust plan to return the Residential Care business to surplus over coming years that has been approved by the Board as part of the FY 2022 Budget.

HammondCare has not been immune from the impact of COVID-19. Our priority is the safety and wellbeing of our residents, clients, patients and employees. We continue to be inspired by the dedication of team members and there are many examples where employees have displayed exceptional care in these trying times. The professionalism of our teams in managing the pandemic and by the grace of God HammondCare has to date not experienced any significant outbreaks. In recognition of the unprecedented circumstances and to thank employees for their awesome dedication, the Board approved a one-off appreciation gift to all staff as well as a one-off payment to front line employees, together amounting to $3.7M that is included in the FY 2021 Accounts.

To combat COVID-19 we incurred $10.9M in FY 2021 in incremental expenses spread across the portfolio. The expenses included additional staff cost and training, as well as additional personal protective equipment. In addition, we introduced concierge services at our residential care homes to screen all visitors. Partially offsetting the incremental expenses, we received $10.1M from the Federal and State Governments as part of their various programs to support the industry.

For FY 2021 the Group recorded a Reportable Net Deficit of $27.3M, compared to a Reportable Net Surplus of $22.0M for FY 2020. The FY 2021 Reportable Net Deficit is mainly due to the decision to write-down in full the carrying value of bed licences by $46M. This is an accounting entry only and has no cash flow impact. The Federal Government has announced the abolishment of the Aged Care Approvals Rounds "ACAR" process and deregulation from 1 July 2024. Given the announcement, HammondCare has taken a conservative approach to reflect that over time the licences will be worthless. Furthermore, the favourable non-cash revaluation of Investment properties (up $11.4M) and Land and Buildings (up $3.8M) in FY 2021 provides a partial offset to the write-down of the licences.

We advised ANZ Bank in advance about the write-down of the licences and have received confirmation that our decision will not impact our banking covenants.

As you will note, our auditors Grant Thornton have qualified their opinion on the FY 2021 Accounts. The basis for their qualified opinion relates to the impairment of the bed licences. Their view is that the bed licences retain some value, at least in the interim until July 2024 and that there are still steps that are required before the legislation is enacted. As mentioned above, HammondCare has elected to take a conservative accounting approach.

Operating Cash flow

The cash surplus from operations was $24.1M (FY 2020: $45.1M)) The difference year-over-year was due mainly to lower unearned income of $11.5M with HammondCare At Home Consumer Directed Care government funding changed from in advance to in arrear; and a ramp-up in trade and other receivables of $9.3M in the last quarter as occupancy in Residential Care improved with cash to be collected over the next 6 months.

During FY 2021 the Group has continued to invest for the future with total capital expenditure of $28M.

Continued net inflows of accommodation deposits and entry contributions ($13M), resulted in the Group finishing FY 2021 with no bank debt and with a Cash Balance of $50M (FY 2020 Cash Balance $48M).

HammondCare's Revenue

During FY 2021 the Group achieved revenue growth of $54.7M (+15.7%) up from FY 2020, with total revenue reaching $402.5M. Revenue growth by major operating portfolio was as follows:

	Increase in FY 2021 over FY 2020 $ Million	FY 2021 $ Million	FY 2020 $ Million
Residential Care	+16.8	141.7	124.9
HammondCare At Home	+25.6	117.7	92.2
Health & Hospitals	-0.9	58.0	58.9
Dementia consulting, education, and research	+8.8	45.8	37.0
Independent living	+0.4	9.9	9.5
Total major operating portfolio	**+50.7**	**373.1**	**322.5**
Other	+4.0	29.4	25.3
Total	**+54.7**	**402.5**	**347.8**

The Group operates a financially sustainable approach in delivering revenue growth, balancing expenditure to prioritise the delivery of tailored and specialised care needs to each of our clients, whilst managing risks (financial and operational) for all stakeholders.

- Residential Care revenue grew by $16.8M to achieve $141.7M
  Revenue growth is mainly attributable to the full year impact of opening new services during FY 2020 as residents were admitted. (Hammondville – 50 beds opened in August 2019; Cardiff – 99 beds opened in August 2019; Darlinghurst – 42 beds for the elderly homeless opened in March 2020).
- HammondCare At Home total revenue grew by $25.6M to achieve $117.7M
  HammondCare At Home achieved strong growth by continuing to increase the number of Consumer Directed Care packages we manage and by obtaining additional Commonwealth Home Support Programme funding.
- Health and Hospitals total revenue reduced by $0.9M to $58.0M due to lower reimbursement rates paid by Private Health Insurers for accommodation.
- Dementia consulting, education, and research total revenue grew by $8.8M to achieve $45.8M.
  The Group continues to deliver a range of consulting, advisory, and educational service nationally and internationally.
- Other revenue
  FY 2021 Other revenue includes imputed non-cash lease revenue of $10.8M (FY 2020 $12.5M) from Refundable Accommodation Deposits and bond balances under Australian Accounting Standards Board "AASB" 16.

HammondCare's Expenses

Total costs in FY 2021 were $395.5M (FY 2020: $341.6M), an increase of $53.9M (16%). The three main expense groups were:

	FY 2021 $ Million	FY 2020 $ Million	Movement $ Million
Total Employment Costs	285.3	245.3	+40.0
Direct costs (1)	46.2	34.6	+11.6
Non-direct costs (2)	64.0	61.7	+2.3
Total	**395.5**	**341.6**	**+53.9**

(1) Consists of consulting fees, food costs, supplies costs
(2) Consists of marketing and promotion expenses, depreciation, property expenses, communications and IT costs, finance costs and office administration expenses.

Total employment costs

As a result of increasing the capacity to deliver growth across the portfolio, total employment costs for the Group increased by $40.0M (16%) reaching a total of $285.3M. The major reason for the increase in employment costs in FY 2021 was the strong growth in HammondCare At Home. Overall, we hired another 337 full time equivalent employees over the year and our total headcount now stands at 5,007 including part-time and casual employees. Total employment costs remain the largest expense at 71% (2020: 71%) of total revenues.

Direct costs

Direct costs (being consulting fees, food and supplies expenses) increased by $11.6M reaching $46.2M in FY 2021 representing 11.4% (FY 2020: 10.0%) of total revenue. The increase in direct costs is mainly due to services and goods procured for HammondCare At Home clients for their Consumer Directed Care packages that reflected strong growth year-over-year as previously mentioned.

Non-direct costs

Non-direct costs (being depreciation, property, finance and other administration costs) have increased by $2.3M, reaching $64.0M in FY 2021. Non-direct costs include finance costs of $14.5M, mainly the imputed non-cash interest expense of $10.8m (FY 2020: $12.5m) under AASB 16. Depreciation expense increased by $2.6M in FY 2021 to $22.7M reflecting the investment in capital expenditure.

HammondCare's Statement of Financial Position

The financial position of the Group remains strong as we continue the prudent and responsible approach to managing the Balance Sheet. As at 30 June 2021, there is no bank debt with borrowings consisting only of Zero Real Interest Loans (ZRILs) of $17.4M (FY 2020: $19.5M) and a small level of car leases. In addition, the Group maintains a self-imposed prudential reserve, which is premised on it being able to readily fund the replacement of the largest asset and/or repay residential liabilities, in the event of a significant adverse event. The Group has total liquid assets (cash, cash held on term deposit, managed fund assets) as at 30 June 2021 of $152.3M (FY 2020: $139.3M), to apply against the Group's prudential reserve.

In FY 2021, the Group's total assets increased by $9.8M, achieving total assets of $971.7M as at 30 June 2021 (FY 2020: $961.9M). The increase in Total Assets is attributable to (a) higher Financial Assets, Cash and Debtors of +$26M; (b) the capital expenditure program in FY 2021 of +$19M; (c) valuation uplifts relating to investment property +$12M; partially offset by (d) the write-down of the bed licences -$46M.

The Group's total liabilities increased by $28.2M, reaching total liabilities of $630.2M. The increase in total liabilities is attributable to (a) an increase in Refundable Accommodation Deposits liabilities of +$12M from higher occupancy in the new residential care homes; (b) additional general trade creditors and accruals during the year account for +$8M; and (c) higher unearned income balance of +$8M.

As at 30 June 2021, the Group had Net Assets of $341.5M (FY 2020: $359.9M), a decrease of $18.4M mainly due to the impairment of the bed licences.

HammondCare's Social Dividend

The Group takes very seriously its responsibility as a charity to contribute to the Australian community. As a charity, we exist to care for people in need and we provide our services to everybody who needs them, irrespective of their financial status or ability to pay for services. In recent times, we have calculated the financial benefit to Australia of those activities in which the Group engages that a 'for-profit' health and aged organisation would not.

This 'social dividend' includes:

- funding research in health and aged care
- providing retirement accommodation to residents who cannot afford a lump sum entry contribution
- operating 'unfunded' palliative care units in nursing homes
- providing residential aged care environments that independent researchers have shown deliver significant benefits to residents and savings to government
- providing unfunded sub-acute services to public patients in the Group's hospitals
- delivering unfunded services to home care clients who are not in receipt of adequate government funded 'packaged care'
- providing pastoral care to all of our services.

In FY 2021, this 'social dividend' was estimated to exceed $36.0M (FY 2020: $31.4M) or 9.0% of total revenues.

Succession Planning

HammondCare welcomed Mr Mike Baird AO as Chief Executive Officer on 1 September 2020. Mike has extensive experience in senior executive roles, including his tenure as New South Wales Premier.

Mike joins HammondCare at a critical stage. The Royal Commission has handed down extensive recommendations including about care and funding. HammondCare is well positioned and testament to our reputation, several employees were invited to attend hearings as expert witnesses. Over coming years the sector and HammondCare will need to address workforce, stakeholder engagement (including governments), funding and other issues. Under Mike's leadership, The Next Chapter strategy (which builds upon the previous Future Directions) has been crafted and sets out the plans and actions for HammondCare to execute upon so that we maintain our leadership position in the sector and importantly maintain our identity as an Independent Christian Charity.

Dr Stephen Judd AM retired as Chief Executive on 31 August 2020 after serving HammondCare for 25 years. The Board extends is heartfelt gratitude to Stephen for his faithful service and wishes him continued success in his future endeavours.

Michael Monaghan retired as a director, Chair of the Finance Committee and Deputy Chair at the AGM on the 26th of November 2020 after 12 years of service as a director and 5 years as Deputy Chair. We thank him for his enormous contribution and wise counsel.

The Board appointed directors Kok Kong Chan as Deputy Chair and Robyn Langsford as Chair of the Finance Committee with effect from the 27th of November 2020.

The Board welcomed new directors, Linda Justin effective from the 2nd September 2020 and Carl Gunther effective from the 7th December 2020 and we look forward to their contribution into the future.

Our Mission and Motivation

Our passion is improving quality of life for people in need. We serve people with complex health or aged care needs, regardless of their circumstances.

The work of HammondCare is motivated by Christian principles and values expressed in the words and deeds of Jesus Christ. HammondCare believes in the value of all people as made in the image of God and as loved by God. We are therefore called to show the same love, with compassion and respect, for people in need.

Members Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. At balance date the Company had 31 (2020: 30) members and they have each guaranteed to pay $100 on winding up of the Company if required.

After balance date events

The effects of Covid-19 have an effect on the operations of the group as highlighted in the Directors Report. The effects for the next reporting period are uncertain but not believed to be significant. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the statement of affairs of the Group in future financial years.

Auditor 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* for the year ended 30 June 2021 has been received and can be found on page 8 of the financial report.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in accordance with a resolution of the Directors.

John Kightley
Chair

15 September 2021

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Auditor's Independence Declaration

To the Directors of HammondCare and its controlled entities

In accordance with the requirements of 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 ("ACNC Act 2012"), as lead auditor for the audit of HammondCare and its controlled entities for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the ACNC Act 2012 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A G Rigele
Partner – Audit & Assurance

Sydney, 15 September 2021

HammondCare and its Controlled Entities
Statement of surplus or deficit and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	4	402,476	347,780
Expenses			
Employee Benefit Expense	5	(285,288)	(245,330)
Finance costs	6	(14,503)	(15,895)
Depreciation and amortisation expenses	7	(22,668)	(20,020)
Support Services and operational expenses		(26,826)	(25,751)
Client direct expenses		(46,213)	(34,574)
Underlying Net Surplus		6,978	6,210
Net gains on revaluation of investment property	13	11,372	16,593
Impairment on bed licenses	15	(45,665)	(800)
Reportable Net (Deficit)/Surplus	24	(27,315)	22,003
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(Loss) on the revaluation of land and buildings		3,826	(8,109)
Net current year gain/(loss) on financial assets		5,082	(3,666)
Other comprehensive income/(loss) for the year		8,908	(11,775)
Total comprehensive (loss)/income for the year		(18,407)	10,228

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

HammondCare and its Controlled Entities
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	8	14,905	27,924
Trade and other receivables	9	54,560	41,242
Financial Assets	10	137,410	111,336
Other assets	12	4,617	3,653
Total current assets		211,492	184,155
Non-current assets			
Investment properties	13	226,422	214,749
Property, plant and equipment	14	479,608	460,886
Right-of-use assets	11	54,203	56,440
Intangible assets	15	-	45,665
Total non-current assets		760,233	777,740
Total assets		971,725	961,895
Liabilities			
Current liabilities			
Trade and other payables	16	35,383	27,615
Borrowings	17	1,957	2,132
Lease liabilities	18	2,936	2,130
Employee benefits	19	29,947	28,250
Resident liabilities within 12 months	20	91,121	87,483
Resident liabilities after 12 months	20	212,615	204,127
Entry contributions within 12 months	21	8,782	8,808
Entry contributions after 12 months	21	137,583	137,988
Contract Liabilities	22	34,629	26,889
Total current liabilities		554,953	525,422
Non-current liabilities			
Borrowings	17	15,452	17,389
Lease liabilities	18	55,185	56,117
Employee benefits	19	4,613	3,038
Total non-current liabilities		75,250	76,544
Total liabilities		630,203	601,966
Net assets		341,522	359,929
Equity			
Reserves	23	217,730	197,450
Accumulated surplus	24	123,792	162,479
Total equity		341,522	359,929

The above statement of financial position should be read in conjunction with the accompanying notes

HammondCare and its Controlled Entities
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	**Financial Assets Reserve $'000**	**Asset Revaluation Reserve $'000**	**Accumulated Surplus $'000**	**Total Equity $'000**
Balance at 1 July 2019	15,208	177,424	157,069	349,701
Profit for the year	-	-	22,003	22,003
Other comprehensive income for the year	(3,666)	(8,109)	-	(11,775)
Total comprehensive (loss)/income for the year	(3,666)	(8,109)	22,003	10,228
Transfer to asset revaluation reserve	-	16,593	(16,593)	-
Balance at 30 June 2020	11,542	185,908	162,479	359,929

Consolidated	**Financial Assets Reserve $'000**	**Asset Revaluation Reserves $'000**	**Accumulated Surplus $'000**	**Total Equity $'000**
Balance at 1 July 2020	11,542	185,908	162,479	359,929
Loss for the year	-	-	(27,315)	(27,315)
Other comprehensive income for the year	5,082	3,826	-	8,908
Total comprehensive (loss)/income for the year	5,082	3,826	(27,315)	(18,407)
Transfer to asset revaluation reserve	-	11,372	(11,372)	-
Balance at 30 June 2021	16,624	201,106	123,792	341,522

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

HammondCare and its Controlled Entities
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from in the normal course of operations		377,199	341,052
Payments in the normal course of operations		(357,657)	(300,630)
Interest received		6,253	6,547
Interest and other costs of finance paid		(1,726)	(1,865)
Net cash from operating activities	33	24,069	45,104
Cash flows from investing activities			
Payments for property, plant and equipment, investment property	14	(27,999)	(42,029)
Investments in financial assets		(29,541)	(44,222)
Proceeds from disposal of property, plant and equipment		747	700
Proceeds from disposal of financial assets		8,550	32,000
Net cash used in investing activities		(48,243)	(53,551)
Cash flows from financing activities			
Net (repayment)/proceeds from borrowings		(2,112)	(41,755)
Gross proceeds from RADs & ILU resident loans		92,747	126,689
Gross repayment of RADs/accommodation bonds and ILU resident loans		(79,480)	(56,311)
Net cash from financing activities		11,155	28,623
Net increase/(decrease) in cash and cash equivalents		(13,019)	20,176
Cash and cash equivalents at the beginning of the financial year		27,924	7,748
Cash and cash equivalents at the end of the financial year	8	14,905	27,924

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

Note 1. Corporate Information

HammondCare, incorporated and domiciled in Australia, is a public company limited by guarantee. The address of the registered office is Level 4, 207B Pacific Highway, St Leonards, NSW, 2065.

HammondCare is a registered charity, Public Benevolent Institution, and tax deductible gift recipient.

The principal activities of the Group during the financial year were the provision of residential aged care services, community aged care services, health and hospital services, and dementia consulting services

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

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

Basis of preparation and compliance

The financial report includes the consolidated financial statements and notes of HammondCare (“Consolidated Group” or “Group”) are domiciled in Australia and their registered office is Level 4, 207B Pacific Highway, St Leonards, NSW, 2065. The financial report includes the consolidated financial statements and notes of the Company and its controlled entities.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. The Group is a not-for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in the Australian currency.

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

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding-off’. Amounts in this report have been rounded off in accordance with the corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HammondCare ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. HammondCare and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to the statement of comprehensive income in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control such entity. In preparing the consolidated financial statements, all intra Group balances and transactions, and unrealised profits arising within the consolidated entities are eliminated in full.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

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 consolidated entity'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.

A liability is classified as current when: it is either expected to be settled in the consolidated entity'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.

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 2. Significant accounting policies (continued)

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

In applying the Group’s accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Significant judgements, estimates and assumptions made by management in the preparation of this financial report are described in various notes

- Provision for expected credit losses - note 9
- Depreciation and amortisation – note 7
- Impairment of plant and equipment - note 14
- Impairment of bed licences – note 15
- Fair value of Land and Buildings and Investment properties – notes 13 + 14
- Right of use assets and lease liabilities - notes 11 + 18
- Employee benefits – note 19

Note 4. Revenue

Revenue from contracts with customers (AASB 15)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from contracts with customers has been disaggregated based on type of goods or services provided and source of funds.		
Aged care services	262,306	220,963
Health care services	55,175	56,020
Retirement living	9,915	9,456
Dementia consulting, education, research, and restorative care	45,774	36,909
Investments	11,268	4,446
	384,438	327,794
Revenue recognised under AASB 1058 – Income of NFP entities		
Donations and gifts	6,285	6,299
Other	649	978
	6,934	7,277
Other revenue		
Gain on disposal of property, plant and equipment	303	212
Imputed revenue under AASB 16 *Leases*	10,801	12,497
Total revenue	**402,476**	**347,780**

Note 4. Revenue (continued)

Revenue recognition policy for revenue from contracts with customers (AASB 15)

AASB 15 requires revenue to be recognised when performance obligations under the contract are passed to the customer at an amount which reflects the expected consideration.

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
5. Recognise revenue

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

Revenue is recognised when performance obligations under the contract are passed to the customer at an amount which reflects the expected consideration. The timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations. Revenue can be recognised over a period of time or at a point in time depending on when the performance obligation is satisfied:

- Over a period of time – if the performance obligation is satisfied over a period of time, revenue will be recognised by being spread over this period.
- At a point in time – if the performance obligation is satisfied at a point in time, for example, services are delivered, or goods are transferred to customers, revenue is recognised at this point.

Where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

	Aged Care Services	Health Care Services	Retirement living	Grant income	AASB 1058	Other	Total
Services transferred at a point in time	262,306	55,175	-	-	6,934	11,571	335,986
Services transferred over time			9,915	45,774	-	10,801	66,490
Total	**262,306**	**55,175**	**9,915**	**45,774**	**6,934**	**22,372**	**402,476**

The consolidated entity has adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*.

Total revenue includes the provision of accommodation that is accounted for in accordance with *AASB 16 Leases*. This includes operating lease revenue which is recognised on a straight line basis over the length of a resident's stay. In addition, revenue includes imputed revenue in relation to residents who have chosen to pay a RAD or Bond. This is a non-cash amount. Notes 11 and 19 include full details on *AASB 16 Leases*.

Note 4. Revenue (continued)

Revenue from aged care services
The Australian Government determines the amount of subsidies and supplements in accordance with the provisions of the Aged Care Act. In accordance with the Act the level of subsidy or supplement is dependent on a range of factors, including a resident's care needs, supported resident ratios in a particular home and whether a home has been newly built or significantly refurbished. The subsidies and supplements are calculated as a daily rate and is payable for each day that a resident is in a home. The Government may require a resident to pay a proportion of that subsidy or supplement dependent on their own financial circumstances.)

The Group receives Daily Fees in accordance with the Aged Care Act which are funded directly by the resident as a Basic Daily Fee which is set by the Government. The Basic Daily Fee is calculated as a daily rate and is payable by a resident for each day that services are rendered.

Revenue from health care services
Where the consideration for healthcare services and emergency care consists of a recurring fixed amount over the term of the contract (e.g. monthly or annual payment) and the patient receives and consumes the benefits of the services as the Group provides them then revenue is recognised on a straight line basis over the term of the contract.

Where the Group charges initial admission fees on receipt, these fees do not relate to a performance obligation and they are combined with other goods and services transferred to the customer. The revenue is recognised over the expected life of the contract with the patient (i.e. the time that the patient is expected to remain at the facility).

Revenue from retirement living services
Retiring living revenue represents a fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. Retirement living revenue is recognised over the expected length of stay of a resident.

Revenue from Dementia consulting, education, research, and restorative care
Grant income arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when each of the performance obligations is satisfied. This is generally the case for the monies received for information, education and research.

Revenue from Investments
Interest income is recognised on an accrual basis using the effective interest method. Revenues from Trust distributions are recognised when declared.

Contract Assets and Liabilities
AASB 15 Revenue from contracts with customers ("AASB15") requires presentation of the following items separately in the statement of financial position:

i) Contract asset for the right to consideration in exchange for services that have transferred to a customer;
ii) Contract liability for the obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer; and
iii) Receivable for the right to consideration that is unconditional (only the passage of time is required before payment of that consideration is due).

Significant accounting judgements, estimates and assumptions

Following the adoption of AASB 16 *Leases* from 1 July 2019, the consolidated entity has determined the use of the Maximum Permissible Interest Rate (MPIR) as the interest rate to be used in the calculation of the Imputed Revenue on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the Daily Accommodation Payment to applicable residents

Revenue recognition policy for revenue streams which are either not enforceable or do not have sufficiently specific performance obligations (AASB 1058)

Note 4. Revenue (continued)

Revenue from fundraising

Donations
Donations collected, including cash and goods for resale, are recognised as revenue when the group gains control of the asset.

Bequests
Bequests are recognised when the group is notified of an impending distribution or the bequest is received, whichever occurs earlier. Revenue from bequests comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the group becomes legally entitled to the shares or property.

Building appeal
Donations to the building appeal are recognised as revenue on receipt.

In-kind donations
Facilities donated for occupancy by residents in care are included at the fair value to the group where this can be quantified, and a third party is bearing the cost.
No amounts are included in the financial report for services donated by volunteers.

Other income
Assets arising from other activities in the scope of AASB 1058 are recognised at their fair value when the asset is received. These assets are generally cash but maybe property which has been donated or sold to the group at significantly below its fair value.

Once the asset has been recognised, the Group recognises any related liability amounts (e.g. provisions, financial liabilities).

Once the assets and liabilities have been recognised then income is recognised for any difference between the recorded asset and liability.

Other revenue

Gain on disposal of property, plant and equipment
The consolidated entity recognises gains and losses from the sale of assets held for sale at the point in time that control transfers to the purchaser, which is when the legal title is transferred between parties, typically on settlement.
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Imputed Revenue on RAD and Bond balances under AASB 16 Leases
For residents who have chosen a RAD or Bond arrangement to receive residential aged care services, the consolidated entity has determined that following the adoption of AASB 16 *Leases*, these are lease arrangements for accounting purposes with the consolidated entity acting as the lessor. The consolidated entity has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy the room under the arrangement. The accounting treatment required a non-cash increase in revenue for accommodation and a non-cash increase in finance costs on the outstanding RAD and Bond balance, with no net impact on the results for the period.

Note 5. Employee Benefit Expense

	Consolidated	
	2021 $'000	2020 $'000
Salaries and wages	248,393	211,997
Superannuation contributions	20,618	20,104
Other - Employee expense	16,277	13,229
	285,288	245,330

Note 6. Finance costs

	Consolidated	
	2021 $'000	2020 $'000
Other entities interest	916	1,056
Imputed expense on RAD and Bond balances under AASB 16 Leases	10,801	12,497
Other finance costs	778	521
Lease finance cost	2,008	1,821
	14,503	15,895

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

Finance expenses

Finance expense comprises interest expense on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

Following the adoption of AASB 16 *Leases* from 1 July 2019, the consolidated entity has determined that it is a lessor where a resident has chosen a RAD or Bond arrangement under which to receive residential aged care services. The consolidated entity has recognised an imputed non-cash interest cost on the outstanding RAD and Bond liability.

The consolidated entity has various leases, which were previously classified as operating leases under AASB 117 and classified within rent expense. Following the adoption of AASB 16 *Leases* from 1 July 2019, these leases are now accounted for by recognising a depreciable right of use asset and corresponding lease liability subject to an interest cost, similar to accounting for finance leases under AASB 117.

Following the adoption of AASB 16 *Leases*, the consolidated entity has determined the use of the Maximum Permissible Interest Rate (MPIR) as the interest rate to be used in the calculation of the Imputed Revenue on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the Daily Accommodation Payment to applicable residents

Note 7. Depreciation and amortisation expenses

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Depreciation expense	18,279	16,103
Depreciation expense - right of use asset	4,389	3,917
	22,668	20,020

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

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of plant and other equipment. The following useful lives are applied:
- buildings: 40years
- plant and equipment: 3-10 years
- motor vehicles: 5-7 years

The consolidated entity has various leases, which were previously classified as operating leases under AASB 117 and classified within rent expense. Following the adoption of AASB 16 *Leases* from 1 July 2019, these leases are now accounted for by recognising a depreciable right of use asset and corresponding lease liability subject to an interest cost, similar to accounting for finance leases under AASB 117.

Note 8. Cash and cash equivalents

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current assets		
Cash on hand	-	65
Cash at bank	14,905	27,859
	14,905	27,924

Accounting policy for 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.

Note 9. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Trade receivables	17,725	11,624
Less: Allowance for expected credit losses	(347)	(601)
	17,378	11,023
GST receivables	1,842	1,023
Sundry debtors	3,079	4,913
Resident refundable accommodation bonds	32,261	24,283
	37,182	30,219
	54,560	41,242

Accounting policy for Trade receivables

Trade and other receivables are categorised as financial assets at amortised costs. The carrying value of trade and other receivables are deemed to be materially consistent with their fair values given their short-term nature, and after adjustment for expected future credit losses.

Management also considers whether any external factors, such as macro-economic changes are expected to have an impact on future credit losses expected and where applicable overlay this into the assessment of future credit losses.

Balances are deemed to be in default, and therefore written off when reasonable attempts to recover the balances have been exhausted. Trade and other receivable balances are unsecured.

Accounting policy for Resident refundable accommodation bonds

The Bonds are paid by residents upon their admission to homes and are refunded after a resident departs a home in accordance with the Aged Care Act. Providers must pay a base interest rate on all refunds of bonds within legislated time frames and must pay a higher rate on refunds that are not made within legislated time frames.

Bond refunds are guaranteed by the Government under the Accommodation Payment Guarantee Scheme, in the event that a provider is unable to refund the amounts. Providers are required to maintain sufficient liquidity to ensure that they can refund all amounts as they fall due. As required under legislation, the Group maintains a Liquidity Management Policy, which is monitored on regular basis and a full review is undertaken on an annual basis as a minimum, with the intention of ensuring it has sufficient liquidity, in the form of cash or undrawn lines of credit, to meet its bond refund and other financial obligations.

To ensure that funds are readily available when required, the minimum level of funds chosen by the Group are to be held in cash (placed on deposit but readily available) or met by undrawn lines of credit from a bank or financial institution.

Bonds are classified as a current liability as the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date. The total Bond liability represents the sum of separate payments from a significant number of individual residents in different locations with differing circumstances. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents.

Note 9. Trade and other receivables (continued)

Significant accounting judgements, estimates and assumptions

Provision for expected credit losses
The provision for expected credit losses is based on the simplified approach which uses a lifetime expected credit loss allowance for all trade receivables on hand. This remains an area of significant estimation and as such, actual recovery rates may differ. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 25% for amounts that are 180 days past due, 50% for amounts that are in excess of 365 days past due.

Movement in provision for impairment of receivables is as follows:

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Opening balance	601	488
Amounts recovered	(328)	-
Impairment loss	133	161
Amounts written off during the year as uncollectable	(59)	(48)
Closing balance	347	601

Note 10. Financial Assets

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current assets		
Managed funds	102,319	91,266
Fixed term deposits	35,091	20,070
	137,410	111,336

Fixed term deposits are classified as amortised cost.

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Note 10. Financial Assets (continued)

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:
- amortised cost;
- fair value through profit or loss (FVPL); and
- equity instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:
- the entities business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised costs

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Note 10. Financial Assets (continued)

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Note 11. Right-of-use assets

	Consolidated	
	2021	2020
	$'000	$'000
Non-current assets		
Right-of-use asset	62,510	60,357
Less: Accumulated depreciation	(8,307)	(3,917)
	54,203	56,440

Note 11. Right-of-use assets (continued)

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

Consolidated	**$'000**
Balance at 1 July 2019	58,838
Additions	1,519
Depreciation expense	(3,917)
Balance at 30 June 2020	56,440
Additions	2,152
Depreciation expense	(4,389)
Balance at 30 June 2021	54,203

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a 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, except where included in the cost of inventories, 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 consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity 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.

Note 12. Other assets

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Current assets		
Prepayments	4,617	3,653

Accounting policy for prepayments
Prepayments are recognised at cost and are expected to realise in the next 12 months.

Note 13. Investment properties

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Non-current assets		
Investment property - at directors valuation	226,422	214,749

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	214,749	198,069
Additions	349	-
Revaluation increments	11,372	16,593
Transfer (to)/from property, plant and equipment - land and buildings	(48)	87
Closing fair value	226,422	214,749

Investment property comprises the land and buildings of Hammondville, Miranda and Scone independent living units.

Accounting policy for investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly to profit or loss. The basis of determining fair value is obtaining independent valuations for the investment properties on a triennial basis.

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.

Significant accounting judgements, estimates and assumptions
Valuations of investment properties

At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property’s value within a range of reasonable fair value estimates. The assets have been valued excluding any impact that may arise due to the COVID-19 pandemic.

The Group is holding its investment properties primarily for long term capital appreciation and as such the Group believes it reasonable to assume that short term impacts from COVID-19 will not significantly impact the valuations of the investment properties at 30 June 2021. The directors therefore assess that the independent valuations are fair and reasonable as at 30 June 2021.

Note 14. Property, plant and equipment

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Land and buildings - at directors valuation	433,195	429,472
Less: Impairment	(18,902)	(14,184)
	414,293	415,288
Plant and equipment - at cost	82,804	99,925
Less: Accumulated depreciation	(42,624)	(61,282)
	40,180	38,643
WIP - At cost	25,135	6,955
	479,608	460,886

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

Consolidated	Capital works in progress $'000	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2019	101,156	312,192	31,871	445,219
Additions	37,707	117,412	17,245	172,364
Disposals	-	-	(490)	(490)
Revaluation increments	-	(8,109)	-	(8,109)
Transfers in/(out)	(131,908)	(2)	(85)	(131,995)
Depreciation expense	-	(6,205)	(9,898)	(16,103)
Balance at 30 June 2020	6,955	415,288	38,643	460,886
Additions	28,454	2,706	12,684	43,844
Disposals	-	-	(444)	(444)
Revaluation increments	-	3,826	-	3,826
Transfers in/(out)	(10,274)	-	48	(10,226)
Depreciation expense	-	(7,527)	(10,751)	(18,278)
Balance at 30 June 2021	25,135	414,293	40,180	479,608

Note 14. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

Capital works in progress

Capital works in progress are stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. These items are not depreciated until they are ready for use.

Land

Land held is initially recorded at acquisition cost and then restated at fair value thereafter. Fair value is determined as fair market values based on appraisals prepared by external professional valuers once every three years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings

Building held are initially recorded at acquisition cost and then restated at fair value thereafter. Fair value is based on an assessment by the Directors as follows:

The Directors use the following sources of information for their estimation:
- triennial valuations of the entire residential aged care property undertaken by external independent valuers; and
- depreciated replacement cost.

In many cases the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

Buildings are depreciated on a straight line basis between 10 and 50 years.

Note 14. Property, plant and equipment (continued)

Plant and other equipment

Plant and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

Plant and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and other equipment.

The following useful lives are applied:
- plant and equipment: 3-10 years
- motor vehicles: 5-7 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required.
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 (see impairment under bed licences).
Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is completed at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in the statement of comprehensive income.

Significant accounting judgements, estimates and assumptions
The Group is holding property, plant and equipment for long term and as such the Group believes it reasonable to assume that short term impacts from COVID-19 will not significantly impact the valuations of the assets at 30 June 2021. At present Refundable Accommodation Deposits and occupancy levels have not been materially affected by COVID-19. The directors therefore assess that the independent valuations are fair and reasonable as at 30 June 2021.

Note 15. Intangible assets

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Bed licenses	-	45,665

Note 15. Intangible assets (continued)

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

Consolidated	Bed licenses $'000	Total $'000
Balance at 1 July 2019	46,465	46,465
Additions deemed cost	2,000	2,000
Impairment of assets	(2,800)	(2,800)
Balance at 30 June 2020	45,665	45,665
Impairment	(45,665)	(45,665)
Balance at 30 June 2021	-	-

The Group recognises a value for Bed Licences on acquisition, or at first valuation. Subsequent to initial recognition at fair value, bed licences are carried at deemed cost. They are tested annually for impairment and where necessary, adjusted for impairment at subsequent balance dates.

The current Government has stated its intention to abolish bed licence restrictions and the Aged Care Approval Rounds (“ACAR”) from 1 July 2024. As a result, the Group has determined that the bed licences do not continue to have an indefinite life or value in the market. Bed licences as a result of this assessment which were carried at the value of $45,665,000 were fully impaired by the company during the year.

Impairment losses are recognised as an expense immediately.

Note 16. Trade and other payables

	Consolidated 2021 $'000	2020 $'000
Current liabilities		
Trade payables	13,468	6,762
Accrued wages	7,411	11,007
Accrued expenses	6,775	3,656
Other payables	7,729	6,190
	35,383	27,615

Accounting policy for 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 Group during the reporting period but which remain unpaid. The balances recognised as a current liability are normally paid within 30 days of recognition of the liability.

Note 17. Borrowings

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Finance lease liability	71	246
Zero real interest loan	1,886	1,886
	1,957	2,132
Non-current liabilities		
Finance lease liability	-	51
Zero real interest loan	15,452	17,338
	15,452	17,389
	17,409	19,521

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 18. Lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Lease liability	2,936	2,130
Non-current liabilities		
Lease liability	55,185	56,117
	58,121	58,247

Refer to note 27 for further information on financial instruments.

Note 18. Lease liabilities (continued)

Accounting policy for lease liabilities including significant accounting judgements, estimates and assumptions

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease, or not exercising of options to terminate the lease, is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Group's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.
At inception, a right-of-use asset and a lease liability is recognised

At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate (ranging from 1.5% to 3.5%)

The tenure of a lease includes any renewal period where the lessee is reasonably certain that they will exercise the option to renew. The Group has reviewed all its leases and included any extensions where the Group assessed it is reasonably certain the lease agreement will be renewed.

The Group does not recognise leases that have a lease term of 12 months or less or are of low value as a right of use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the relevant Group's incremental borrowing rate. The incremental borrowing rate used for this calculation is dictated by the remaining duration of the lease and the location of the asset. The incremental borrowing rate is the rate the Group would be charged on borrowings. The weighted average incremental borrowing rate was 1.5% at 30 June 2020 and 2.23% at 30 June 2021.

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	<1 year	**1-5 years**	**>5 years**	**Total undiscounted lease liabilities**	**Lease liabilities included in the statement of financial position**
2020	180	108	6	294	58,247
2021	145	0	0	145	58,121

Lease impact in the statement of profit and loss and other comprehensive income

The amounts recognised in the statement of profit and loss and other comprehensive income relating to leases where the group is lessee are shown below

Note 18. Lease liabilities (continued)

	Consolidated	
	2021 $'000	2020 $'000
Interest on lease liabilities	2,008	1,821
Expenses relating to short term leases	430	636
Expenses relating to low value leases	2	1
	2,440	2,458

Statement of cashflows

	Consolidated	
	2021 $'000	2020 $'000
Total cash outflow for leases	4,722	4,565

Note 19. Employee benefits

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Employee benefits	29,947	28,250
Non-current liabilities		
Employee benefits	4,613	3,038
	34,560	31,288

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rate payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have a right to defer settlement for any of these obligations.

Accounting policy for employee benefits

Short-term employee benefits
Short-term employee benefits, including annual leave entitlements, are measured at the discounted amount that the Group expects to pay as a result of the unused entitlement.

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Note 19. Employee benefits (continued)

Other long-term employee benefits
The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Note 20. Resident liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current liabilities		
Refundable accommodation deposits within 12 months	91,121	87,483
Refundable accommodation deposits after 12 months	212,615	204,127
	303,736	291,610

AASB 101 'Presentation of Financial Statements' requires that Resident Liabilities be classified and disclosed as current liabilities as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Based on prior year amounts refunded to residents the Company estimates that approximately $91.1M (FY 2020: $87.5M) will be refunded to residents in the ensuing twelve months.

Resident liabilities contributions are received from incoming residents and are recognised as a liability upon receipt. AASB 101 'Presentation of Financial Statements' requires the liabilities to be classified as current as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The liabilities are reduced in accordance with the various resident agreements. These reductions are recorded as income in the statement of profit or loss and other comprehensive income. Repayment of the contributions are also in accordance with the various resident agreements

Note 21. Entry contributions

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current liabilities		
Entry contributions within 12 months	8,782	8,808
Entry contributions after 12 months	137,583	137,988
	146,365	146,796

Note 21. Entry contributions (continued)

Entry contributions are amounts paid by individuals to occupy HammondCare Independent Living Units. AASB 101 'Presentation of Financial Statements' requires that Entry Contributions be classified and disclosed as current liabilities as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Based on prior year amounts refunded to residents the Company estimates that approximately $8.8M (FY 2020: $8.8M) will be refunded to residents in the ensuing twelve months.

Entry loan contributions are received from incoming residents and are recognised as liabilities of the Group upon receipt. AASB 101 'Presentation of Financial Statements' requires the liabilities to be classified as current as the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The liabilities are reduced in accordance with the various resident agreements. These reductions are recorded as income in the statement of profit or loss and other comprehensive income. Repayment of the contributions are also in accordance with the various resident agreements. Interest is not payable on these liabilities.

Note 22. Contract Liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Unearned income	34,629	26,889

Unearned income consists of government grants received in advance for services to be provided by the Group. The unearned income is recognised as income as and when the services are performed.

The liability for unearned income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted and presented as non-current.

Note 23. Reserves

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	FV OCI Reserve $'000	PPE Revaluation Reserve $'000	Investment Property revaluation reserve $'000	Total $'000
Balance at 1 July 2019	15,208	122,985	54,439	192,632
FV OCI Fair Value changes	(3,666)	-	-	(3,666)
Revaluation of land and buildings	-	(8,109)	-	(8,109)
Transfers from accumulated surplus	-	-	16,593	16,593
Balance at 30 June 2020	11,542	114,876	71,032	197,450
FV OCI Fair Value changes	5,082	-	-	5,082
Revaluation of land and buildings	-	3,826	-	3,826
Transfers from accumulated surplus	-	-	11,372	11,372
Balance at 30 June 2021	16,624	118,702	82,404	217,730

Note 24. Accumulated surplus

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Retained profits at the beginning of the financial year	162,479	140,476
(Loss)/Profit for the year	(27,315)	22,003
Transfer to revaluation surplus reserve	(11,372)	-
Retained profits at the end of the financial year	123,792	162,479

Note 25. Dividends

In accordance with the group’s constitution and legal structure it is unable to pay or declare a dividend in the ordinary course of business

Note 26. Capital and Leasing Commitments

Finance leases
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Capital expenditure commitments
The Group is committed, by the way of contract, to expenditure of $49.9M (2020: $27.3M) in respect of various capital projects. The expenditure had been financed in prior years from internally generated cash and bank debt.

Note 27. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 27. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk
The consolidated entity is not exposed to any significant price risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 28. Fair value measurement

Accounting policy for 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.

Note 29. Capitalised finance costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s outstanding borrowings during the year.

	Consolidated	
	2021 $'000	2020 $'000
Capitalised finance costs		
Borrowing costs capitalised	-	246

No borrowing costs were capitalised in the current year (FY2020: 2.4%).

Note 30. Key management personnel disclosures

The totals of remuneration paid to key management personnel of the Group during the year are as follows:

	Consolidated	
	2021 $'000	2020 $'000
Short term employee benefits	4,442	3,855
Long-term employee benefits	7	42
Superannuation benefits	323	293
Termination benefits	365	326
Total	5,137	4,516

Other key management personnel transactions
For details of other transactions with key management personnel, refer to Note 34: Related Party Transactions.

Note 31. Remuneration of auditors

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

	Consolidated	
	2021 $	2020 $
Audit services -		
Audit of the financial statements	153	154
Other services -		
Grant Thornton acquittals of income and expenditure programs	4	4
Grant Thornton other non-audit and advisory services	21	7
Compilation of financial reports	9	9
Total other services	34	20
	187	174

Note 32. Contingent assets and liabilities

Provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

The Group had contingent liabilities to the value of $ 6.1M at 30 June 2021.

Note 33. Reconciliation of (deficit)/surplus to net cash from/(used in) operating activities

	Consolidated	
	2021 $'000	2020 $'000
Reportable Net (Deficit)/Surplus for the year	(27,315)	22,003
Depreciation and amortisation on property, plant and equipment	18,279	16,103
Depreciation on right of use asset	4,389	3,917
Bad debt expense	(186)	228
Capitalised interest in property, plant and equipment	-	(246)
Interest (AASB16)	2,008	1,821
Rent (AASB16)	(4,290)	(3,928)
Management fees (Retirement living)	(7,839)	(7,430)
Accommodation bond retentions	2	(2)
Net gain on disposal of property, plant and equipment	(303)	(212)
Impairment expense on intangible assets	45,665	2,800
Net gain on revaluation of investment property	(11,372)	(16,593)
Net gain on revaluation of intangible assets	-	(2,000)
Imputed revenue on RAD and bond balances (AASB16)	(10,801)	(12,497)
Imputed interest cost on RAD and bond balances (AASB16)	10,801	12,497
Change in trade and other receivables	(6,842)	2,453
Change in other assets	(964)	(1,728)
Change in trade and other payables	1,844	5,608
Change in provisions	3,272	3,073
Change in contract liabilities	7,721	19,236
Net cash from/(used in) operating activities	24,069	45,104

Note 34. Related party transactions

The transactions represent the expenses and support service costs initially borne by the Group on behalf of its subsidiaries HammondCare Health & Hospitals Limited of $6,860,562 (2020:$7,520,234); and HammondCare International Limited $0 (2020: $0) for expenses and support services, including, inter alia:

- Staff costs;
- Strategic asset management and maintenance planning;
- Information communication and technology services;
- Accreditation support services;
- Business services support including the software licensing costs;
- Risk and management services; and
- People learning and culture support including enterprise agreement planning.

These intergroup transactions are eliminated upon consolidation.

During the year, the following arms-length services were provided by organisations considered as a related party to the Group

- Legal services to the value of $267K
- Consulting services to the value of $35K
- Marketing services to the value of $30K.

During the year, Directors of the Group made donations to the value of $50K. For confidentiality reason individuals names have not been disclosed.

Key management personnel
Disclosures relating to key management personnel are set out in note 30.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 35. Segment reporting

Identification of reportable segments

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets, revenue, interest bearing loans, and borrowings.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The organisation is not required to comply with AASB 8 'Segment Reporting' and this note does not comply with all aspects of this standard. The information provided in this note is in line with the requirements set out under the Prudential Compliance of the Aged Care Act.

Business Segments
The Group comprises the following main business segments, based on the Group's areas of business risk.

Residential Care
Providing care and support for the aged in the Group's aged care and dementia facilities.

Community Care
Providing care and support for the aged in their own homes, and in the community.

Independent Living
Providing care and support for the aged in independent living units.

Health & Hospitals
Providing health and hospital care in public hospitals.

Dementia consulting, education, research, and restorative care
HammondCare's mission of improving the quality of life is being championed through its commitment to research and academic education.

Other
Encompassing other areas of the Group's operations including accounting and finance, administration, ICT, marketing, treasury and other benevolent activities.

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

Note 35. Segment reporting (continued)

HammondCare (Consolidated)	Independent Living $000	Residential Care $000	Community Care $000	Health & Hospitals $000	Dementia consulting, education, research, and restorative care $000	Other $000	Total $000
This Year – 2021							
Segment Revenue	9,915	141,723	117,726	57,966	45,790	29,356	402,476
Segment Result	17,837	(16,272)	10,591	(1,372)	3,202	(41,301)	(27,315)
Segment Depreciation	124	11,334	405	1,243	820	4,353	18,279
Segment Right of use depreciation	-	-	-	-	-	4,389	4,389
Segment Assets	227,776	408,280	35,200	85,565	8,663	206,241	971,725
Segment Liabilities	(146,910)	(345,995)	(40,167)	(9,140)	(10,549)	(77,442)	(630,203)
Segment Capital Expenditure	530	25,379	2,186	1,439	947	3,401	33,882
Last Year– 2020							
Segment Revenue	9,473	124,861	92,159	58,899	36,952	25,436	347,780
Segment Result	21,365	(12,474)	7,424	(1,854)	3,080	4,462	22,003
Segment Depreciation	90	9,372	611	1,254	778	3,998	16,103
Segment Right of use depreciation	-	-	-	-	-	3,917	3,917
Segment Assets	217,130	433,548	26,816	84,403	10,339	189,659	961,895
Segment Liabilities	(147,344)	(325,926)	(31,224)	(15,134)	(8,304)	(74,034)	(601,966)
Segment Capital Expenditure	230	36,295	236	1,210	542	1,809	40,322

Note 36. Parent entity information

	Consolidated 2021 $'000	Consolidated 2020 $'000
Statement of profit or loss and other comprehensive income		
(Deficit)/Surplus for the year	(23,960)	25,264
Other comprehensive income	8,910	(11,775)
Total comprehensive (loss)/income	(15,050)	13,489

	Consolidated 2021 $'000	Consolidated 2020 $'000
Statement of financial position		
Total current assets	205,449	177,657
Total assets	964,902	952,682
Total current liabilities	549,354	520,826
Total liabilities	623,757	596,487
Equity		
Asset revaluation reserve	155,314	140,116
Financial asset reserve	16,625	11,542
Accumulated surplus	169,206	204,537
Total equity	341,145	356,195

Note 36. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had $6.1M of contingent liabilities as at 30 June 2021 ($6.6M at 30 June 2020).

Capital commitments - Property, plant and equipment
The parent entity had capital commitments for property, plant and equipment to the value of $49.9M as at 30 June 2021 ($27.3M at 30 June 2020).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity;
- Investments in associates are accounted for at cost, less any impairment, in the parent entity;
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Events after the reporting period

The effects of Covid-19 have an effect on the operations of the group as highlighted in the Directors Report. The effects for the next reporting period are uncertain but not believed to be significant. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the statement of affairs of the Group in future financial years.

Note 38. Members guarantee

The Group is incorporated under the Corporations Act 2001 and is a group limited by guarantee. At balance date the Group had 31 (FY 2020: 30) members and they have guaranteed to pay $100 on winding up of the organisation if required.

Note 39. Investment in controlled entities

The Group’s investment in controlled entities is recorded at cost.

Note 40. Loan facilities

The Group has bank loan facilities amounting to $90M (FY 2020: $90M). As at 30 June 2021 $0M (FY 2020: $0M) of these facilities were in use. The facilities bear interest at variable interest rates. As at year-end, as no debt had been drawn, the effective interest rate on the facility was not applicable. (2020: not applicable.).

Note 41. Information and declaration to be furnished under the Charitable Fundraising Act

Fundraising Appeals conducted during the year
Fundraising appeals conducted during the financial year included mail and telephone appeals, payroll giving, raffles, golf day, active challenges, merchandise sales, applications to trusts, foundations and registered clubs, donations provided by corporate, community group and club fundraising events and the general receiving of directly and indirectly solicited donations and bequests.

This money helped to supplement the income received from governments and fees. As a result HammondCare was able to expand the range and level of the services provided to residents and clients of HammondCare.

The cost of raising these funds was 5.9% (FY 2020: 11.3%) of the gross revenue received. This included the costs of events, all promotional activity and the payment for all administrative services including salaries for HammondCare Fundraising staff.

All fundraising money received have been applied and/or expended in accordance with the objectives set out above.

	Consolidated	
	2021 $'000	2020 $'000
Gross proceeds from fundraising appeals recognised in the current year:		
Gross Proceeds from Donations & bequests	6,285	6,299
Income from invested funds	935	247
Less: total cost of fundraising appeals	(429)	(740)
	6,791	5,806

HammondCare and its Controlled Entities
Directors' declaration
30 June 2021

In the opinion of the Directors of HammondCare:

- The consolidated financial statements and notes of HammondCare are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date;

- Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and

- There are reasonable grounds to believe that HammondCare will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the directors

15 September 2021

HammondCare and its Controlled Entities
Directors' declaration in respect of fundraising appeals
30 June 2021

In the opinion of the Directors of HammondCare:

- The financial statements give a true and fair view in all income and expenditure of the Company and its consolidated entities with respect to fundraising appeal activities for the financial year ended 30 June 2021;

- There are reasonable grounds to believe that HammondCare will be able to pay its debts as and when they become due and payable;

- The provision of the Charitable Fundraising (NSW) Act 1991 and the regulations under the Act and the conditions attached to the authority have been compiled with for the period from 1 July 2020 to 30 June 2021; and

- The internal controls exercised by the Company and the consolidated entities are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Signed in accordance with a resolution of the Directors.

On behalf of the directors

15 September 2021

Grant Thornton

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Independent Auditor's Report

To the Members of HammondCare and its controlled entities

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of HammondCare and its controlled entities (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 and the declaration by the Board in respect of Fundraising Appeals.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial report of HammondCare:

1. Has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* ("ACNC Act"), including:

   a. presents fairly, in all material respects, the Group's financial position as at 30 June 2021 and of its performance and cash flows for the year then ended;

   b. complies with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

2. Is in accordance with the Charitable Fundraising Act 1991 ("the Act") and the Charitable Fundraising Regulation 2015 ("the Regulation"), including showing a true and fair view of the Group's financial result of fundraising appeals for the year ended 30 June 2021.

Basis for qualified opinion

Bed licences carried at the value of $45,665,000 were fully impaired by the company during the year. The accounting policy and basis for impairment is set out in Note 15. The rationale for the impairment involves the announcement by the Federal Government an intention that the 2020 ACAR will be the last issue of bed licences and from 1 July 2024, bed licences will no longer exist. Whilst the announcement indicates the Federal Government's intention to discontinue the use of bed licences and that bed licences "will no longer exist" there are a number of significant steps that are required to make this change in legislation enacted. We are unable to obtain sufficient appropriate audit evidence that the bed licences should be fully impaired. Consequently, we are unable to determine whether any impairment, or what value, is required in respect of the fair value of bed licences in accordance with AASB 138*Intangible Assets*.

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 Registered Entity 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 qualified opinion.

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

Management is 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 Group 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 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.

Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulation 2015

We have audited the compliance of HammondCare (the "Company") with the requirements of Section 24(2) of the Charitable Fundraising Act 1991 for the year ended 30 June 2021.

Our Opinion

In our opinion:

a HammondCare has properly kept the accounts and associated records during the year ended 30 June 2021 in accordance with the NSW Charitable Fundraising Act 1991 and NSW Charitable Fundraising Regulations 2015 (section 24(2)(b) of the Act);

b the Company, has, in all material respects, properly accounted for and applied money received as a result of fundraising appeals conducted during the year ended 30 June 2021 in accordance with section 24(2)(c) of the Act; and

c there are reasonable grounds to believe that HammondCare will be able to pay its debts as and when they fall due over the 12 month period from the date of this report (section 24(2)(d) of the Act).

Responsibilities of the Directors under the Charitable Fundraising Act 1991

The Directors of the Company are responsible for compliance with the requirements and conditions of the NSW Charitable Fundraising Act 1991 and NSW Charitable Fundraising Regulation 2015 and for such internal control as the Directors determine is necessary for compliance with the Act and the Regulation. This responsibility includes establishing and maintaining internal control over the conduct of all fundraising appeals; ensuring all assets obtained during, or as a result of, a fundraising appeal are safeguarded and properly accounted for; and maintaining proper books of account and records.

The Directors are also responsible for ensuring the Company will be able to pay its debts as and when they fall due.

Auditor's Responsibility

Our responsibility is to form and express an opinion on the Company's compliance, in all material respects, with the requirements of the Act and Regulation, as specified in section 24(2)(b), 24(2)(c) and 24(2)(d) of the Charitable Fundraising Act 1991.

Our audit has been conducted in accordance with the applicable Standards on Assurance Engagements (ASAE *3100 Compliance Engagements*), issued by the Auditing and Assurance Standards Board. Our audit has been conducted to provide reasonable assurance that HammondCare has complied with specific requirements of the Charitable Fundraising Act 1991 and Charitable Fundraising Regulation 2015, and whether there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due over the 12 month period from the date of this independent auditor's report (future debts).

Audit procedures selected depend on the auditor's judgement. The auditor designs procedures that are appropriate in the circumstances and incorporate the audit scope requirements set out in the Act. The audit procedures have been undertaken to form an opinion on compliance of HammondCare with the Act and Regulations and its ability to pay future debts. Audit procedures include obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting the Company's compliance with specific requirements of the Act and Regulation, and assessing the reasonableness and appropriateness of the Company's assessment regarding the Company's ability to pay future debts.

Inherent Limitations

Because of the inherent limitations of any compliance procedures, it is possible that fraud, error or noncompliance may occur and not be detected. An audit is not designed to detect all instances of noncompliance with the requirements of the Act and Regulation, as the audit procedures are not performed continuously throughout the year and are undertaken on a test basis.

Whilst evidence is available to support the Company's ability to pay future debts, such evidence is future orientated and speculative in nature. As a consequence, actual results are likely to be different from the information on which the opinion is based, since anticipated events frequently do not occur as expected or assumed and the variations between the prospective opinion and the actual outcome may be significant.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A G Rigele
Partner – Audit & Assurance

Sydney 15 September 2021