



FINANCIAL STATEMENTS



Proudly representing

BlueCare | Lifeline | ARRCs | The Wesley Hospital | Buderim Private Hospital
St Stephen's Hospital | St Andrew's War Memorial Hospital

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30 June 2023

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Registered address

The registered address and principal office of UnitingCare Queensland is:
Level 5, 192 Ann Street, Brisbane, Queensland 4000

UnitingCare Queensland

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue			
Revenue from contracts with clients	B1	1,856,977	1,703,873
Other income	B1	79,568	56,949
Total revenue		1,936,545	1,760,822
Share of surplus in joint ventures	F2	929	1,383
Change in fair value of investment properties	C3	10,251	19,576
Expenses			
Salaries and employee expenses		(1,200,375)	(1,083,097)
Supplies and services expenses	B2	(387,409)	(341,704)
Depreciation and amortisation expenses		(119,707)	(109,118)
Property expenses	B2	(144,198)	(131,915)
Other expenses	B2	(149,270)	(95,281)
Finance costs	B2	(4,462)	(3,970)
Total expenses		(2,005,421)	(1,765,085)
(Deficit)/Surplus for the year		(57,696)	16,696
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Gains/(losses) on equity instruments measured at FVOCI ¹	D1	3,620	(4,713)
<i>Items that will subsequently be reclassified to profit or loss</i>			
Gains/(losses) on debt instruments measured at FVOCI ¹	D1	8	(617)
Other comprehensive income/(loss) for the year		3,628	(5,330)
Total comprehensive (loss)/income for the year		(54,068)	11,366

¹ Fair value through other comprehensive income (FVOCI).

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

UnitingCare Queensland
Consolidated statement of financial position
For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	B3	360,234	497,626
Trade and other receivables	C1.1	120,090	97,532
Financial assets	D1	37,558	30,572
Inventories	C1.2	21,103	20,263
Other assets	C1.3	39,057	41,958
Assets classified as held for sale		1,491	-
Total current assets		579,533	687,951
Non-current assets			
Interests in other entities	F2	1,158	229
Property plant and equipment	C2	1,086,329	1,018,345
Investment properties	C3	636,227	613,039
Intangible assets	C4	26,878	38,968
Other assets	C1.3	13,681	2,310
Total non-current assets		1,764,273	1,672,891
TOTAL ASSETS		2,343,806	2,360,842
Current liabilities			
Trade and other payables	C1.4	173,832	152,807
Ingoing contributions, RADs ¹ and accommodation bonds	C1.5	882,435	853,998
Borrowings	D2	14,615	11,786
Employee benefits	E1	167,150	157,353
Other liabilities	C1.6	67,097	94,396
Other provisions		4,395	4,663
Total current liabilities		1,309,524	1,275,003
Non-current liabilities			
Trade and other payables	C1.4	6,447	6,979
Borrowings	D2	24,817	28,026
Employee benefits	E1	20,253	14,309
Other liabilities	C1.6	43,572	42,149
Other provisions		8,620	9,735
Total non-current liabilities		103,709	101,198
TOTAL LIABILITIES		1,413,233	1,376,201
NET ASSETS		930,573	984,641
Equity			
Contributed funds		5,234	5,234
Properties revaluation reserve		23,689	23,689
Financial assets at FVOCI reserve		2,077	(1,551)
Accumulated funds		899,573	957,269
TOTAL EQUITY		930,573	984,641

¹ Refundable Accommodation Deposits (RAD)

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

UnitingCare Queensland
Consolidated statement of changes in funds
For the year ended 30 June 2023

		Contributed funds	Properties Revaluation Reserve	FVOCI Reserve	Accumulated funds	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021		5,234	23,689	3,779	940,573	973,275
Surplus for the year		-	-	-	16,696	16,696
Other comprehensive loss	D1	-	-	(5,330)	-	(5,330)
Balance at 30 June 2022		5,234	23,689	(1,551)	957,269	984,641
Balance at 1 July 2022		5,234	23,689	(1,551)	957,269	984,641
(Deficit) for the year		-	-	-	(57,696)	(57,696)
Other comprehensive income	D1	-	-	3,628	-	3,628
Balance at 30 June 2023		5,234	23,689	2,077	899,573	930,573

The above consolidated statement of changes in funds should be read in conjunction with the accompanying notes.

UnitingCare Queensland
Consolidated statement of cash flows
For the year ended 30 June 2023

		2023	2022
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from clients, funding and others		1,865,505	1,760,296
Payments to suppliers and employees		(1,886,781)	(1,740,034)
Interest received		14,414	1,681
Interest paid		(3,263)	(2,940)
Net cash (outflow)/inflow from operating activities	B3	(10,125)	19,003
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9,266	17,468
Payments for property, plant and equipment		(173,349)	(144,253)
Payments for intangible assets		(661)	-
Proceeds from capital grants		18,276	11,067
Dividends received from investments in financial assets		517	870
Proceeds from sale of business		3,900	-
Payments for investment properties		(8,992)	(9,853)
Proceeds from sale of financial assets		9,412	10,205
Payments for purchase of financial assets		(9,727)	(10,649)
Repayment of loans by joint ventures		1,360	1,000
Net cash (outflow) from investing activities		(149,998)	(124,145)
Cash flows from financing activities			
Net proceeds from ingoing contributions and accommodation bonds	D2.1	37,993	54,232
Repayment of lease liabilities	D2.1	(15,262)	(17,729)
Net cash inflow from financing activities		22,731	36,503
Net (decrease) in cash and cash equivalents		(137,392)	(68,639)
Cash and cash equivalents at beginning of year		497,626	566,265
Cash and cash equivalents at end of year	B3	360,234	497,626

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

UnitingCare Queensland

Notes to the consolidated financial statements

For the year ended 30 June 2023

A About us

A1 Our organisation

These consolidated financial statements comprise UnitingCare Queensland and its controlled entities (the Group). The Group is an unincorporated not for profit organisation established by the Uniting Church in Australia Queensland Synod. The Uniting Church in Australia Queensland Synod has appointed the Board of UnitingCare Queensland to govern its activities. Legal title to all property beneficially utilised in the services provided by the Group is held in trust by the Uniting Church in Australia Property Trust (Q.) (the Property Trust), a body incorporated by statute and domiciled in Australia, or Australian Regional and Remote Community Services Limited (ARRCS).

UnitingCare Queensland's principal continuing activities are delivering quality health, aged care, disability and community services across Queensland and the Northern Territory. The Group provides person-centred care and support services to thousands of people every day of the year, enabling clients to live their best possible lives, whatever their circumstances.

UnitingCare Queensland is domiciled in Australia.

A2 Our Financial Statements – basis of preparation

A2.1 Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations (AAS) issued by the Australian Accounting Standards Board. In some circumstances, where permitted under the AAS, the Group has elected to apply certain exemptions available to not-for-profit entities.

The consolidated financial statements were authorised for issue by the Board of Directors on 3 October 2023.

A2.2 Basis of Measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost, except for investment properties and financial assets which are measured at fair value.

A2.3 Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency and have been rounded to the nearest thousand dollars, unless otherwise stated.

A2.4 Use of Estimates and Judgements

In preparing these consolidated financial statements, the Board and management have made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about underlying assumptions and estimation uncertainties are included in the following notes:

Key estimates and judgements

Deferred management fees (DMF)	B1
Expected credit losses	C1.1
Refundable accommodation deposits (RADs)	C1.5
Estimate useful life of property, plant and equipment	C2
Classification of investment properties	C3
Fair value estimate of investment properties	C3
Determination whether configuration and customisation services are distinct from SaaS access	C4
Capitalisation of configuration and customisation costs in SaaS arrangements	C4
Annual and long service leave assumptions	E1

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

A2 Our Financial Statements – basis of preparation (continued)

A2.5 Comparatives

Where applicable, comparative balances have been adjusted to conform to changes in presentation for the current year.

A2.6 Going Concern

The consolidated financial statements include the assumption that the Group will continue to operate as a going concern. The following considerations have been taken into account when making this assumption.

Net current asset deficiency

The Group has a net current asset deficiency of \$729,991,000 (2022: \$587,052,000), a significant portion of which is ingoing contributions, refundable accommodation deposits (RADs) and accommodation bonds of \$882,435,000 (2022: \$853,998,000), which are disclosed as a current liability. Current liability classification notwithstanding, the Group expects that, of the total ingoing contributions, RADs and accommodation bonds disclosed as a current liability, \$721,763,000 (2022: \$702,361,000) will not be repaid within 12 months (refer C1.5). Furthermore, the repayment of any ingoing contributions, RADs and accommodation bonds will be offset by incoming ingoing contributions, RADs and accommodation bonds. Additionally, of the total current employee benefits disclosed, \$101,867,000 (2022: \$58,171,000) are expected to be settled after 12 months (refer E1). The Group's adjusted net current asset position is reflected as follows:

	2023	2022
	\$'000	\$'000
Net current asset deficiency	(729,991)	(587,052)
<i>Add back:</i> Ingoing contributions and accommodation bonds not expected to be repaid within 12 months	721,763	702,361
<i>Add back:</i> Ingoing contributions and accommodation bonds expected to be repaid within 12 months and replaced by new ingoing contributions and accommodation bonds	160,672	151,637
<i>Add back:</i> Current employee benefits not expected to be settled within 12 months	101,867	58,171
Total adjusted net current asset position	254,311	325,117

A2.7 Economic Dependency

The Group is dependent on both State, Territory and Commonwealth Government funded services to fund its operations. The continued support and funding of community care and aged care program facilities by State, Territory and Commonwealth Governments are subject to regular reviews and accreditation requirements. Refer to section G7.1 for information relating to government-related funding.

A2.8 Impact of COVID-19 on the Group

COVID-19 has continued to impact the service delivery of the Group. This financial year, the Group's response to COVID-19 has changed. The Group's preparedness and planning activities focused around meeting the challenges of the multiple variant waves and outbreaks. During the year, less severe illnesses were reported with each wave.

The ongoing workforce shortages, created by COVID-19, continued across the aged care sector and some other areas including disability. This led to an increase in workforce costs for the Group through agency fees to meet client demand, as well as additional costs in relation to recruitment and onboarding.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

A2 Our Financial Statements – basis of preparation (continued)

A2.9 Fair Work Commission Aged Care Sector Wage Increases

As part of the Fair Work Commission's Work Value Case decision in early 2023, an agreement was made to increase the award rates for certain roles working in the aged care sector by 15%. This was applied from the first full pay period after 30 June 2023, and included the following roles:

- Nursing Assistants, Enrolled Nurses, Nurse Practitioners and Registered Nurses working in aged care facilities and in the community;
- Personal Carers and Allied Health Assistants working in aged care facilities and in the community;
- Activities Officers, Diversional Therapists, Leisure and Lifestyle Team Leaders and Co-ordinators working in aged care facilities; and
- The most senior food services employee working at aged care facilities.

The Federal Government has committed to funding these increases and the Group has made a pledge that every additional dollar the Federal Government provides for this purpose will be used to pay for the increase in wages and associated on-costs. In addition to the Work Value Case increases, the Fair Work Commission has decided to increase award rates of pay by 5.75% from the first full pay period after 30 June 2023 as part of its annual minimum award rate review decision. These increases apply across all awards and are not limited to specific roles.

These wage increases have been factored into the Group's annual and long service leave valuation models at 30 June 2023 (refer note E1).

A2.10 Goods and Services Tax (GST)

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated statement of financial position. Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows within the receipts from clients, funding and others, and payments to suppliers and employees.

A2.11 Income Taxes

No provision for income tax has been made as the Group and each of the not-for-profit entities that comprise the Group is exempt from income tax under Division 50 of the *Income Tax Assessment Act (1997)* and have been so endorsed by the Commissioner of Taxation.

A2.12 Basis of consolidation

(a) Controlled entities

The Group controls an entity when it is exposed to, or has rights to, variable financial or non-financial returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements incorporate the financial statements of the entities controlled by the Group.

The Group controls the following not-for-profit entities by virtue of its governance oversight vested in the Board by the Uniting Church in Australia - Queensland Synod By-laws (section 3.1.1.1):

- UnitingCare Queensland* (ABN 45 414 098 573);
- UnitingCare Community* (ABN 28 728 322 186);
- Blue Care* (NAPS ID 314) (ABN 96 010 643 909);
- UnitingCare Health* (ABN 87 842 457 440);
- Australian Regional & Remote Community Services Limited (NAPS ID 6871) (ABN 88 167 926 132); and
- Regional and Remote Indigenous Services Trust (ABN 12 290 854 684).

* These organisations report to the Australian Charities and Not-for-profits Commission (ACNC) on a group reporting basis, known as the UnitingCare QLD_ACNC Group, refer to G7.

All of the above entities are endorsed as deductible gift recipients.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B Our performance

This section highlights the key drivers of the Group's operations, including revenue, expenses and operating cash flows.

B1 Revenue and other income

	2023	2022
	\$'000	\$'000
Revenue from contracts with clients		
Aged care and community services	807,821	701,041
Hospital patient services	558,206	519,066
Family services (grant funded programs)	143,464	114,020
Recoverable revenue (prosthesis)	117,925	110,945
National Disability Insurance Scheme (NDIS) services	77,208	83,902
Lifeline sales	59,917	51,950
Hospital viability subsidy	13,236	49,917
Daily accommodation payments (DAP)	53,653	48,593
Deferred management fees (DMF)	15,523	16,000
Other hospital revenue	7,666	7,024
Bequests (with performance obligations)	1,858	1,196
Other revenue	500	219
Total revenue from contracts with clients	1,856,977	1,703,873
Other income		
Other not-for-profit income		
Capital grants	16,634	16,169
Fundraising and donations	5,511	4,477
Bequests	4,601	5,253
Lessor income		
Other lessor income	20,003	19,323
Gain on sale of assets		
Gain on sale of property, plant and equipment	17,744	12,324
Gain on sale of business	-	3,844
Fair value movements		
Fair value (loss) on resident loans	(7,803)	(10,866)
Other income		
Investment income	1,547	2,407
Other income	6,917	2,260
Interest income		
Uniting Church Investment Services (UCIS)	8,271	906
Other interest	6,143	852
Total other income	79,568	56,949

¹ During the financial year the Group entered into one sale and leaseback transaction. A net gain of \$3,126,000 was recognised, and proceeds of \$4,800,000 were received. The Group entered into a concessional lease agreement with the buyer-lessor and did not recognise a right of use asset or lease liability.

² Fair value movement on resident loans can fluctuate annually between a gain or loss. For disclosure purposes this item is classified as other income.

Key estimates and judgements

Deferred management fees (DMF)	A significant source of estimation for the recognition of deferred management fees is the calculation of the expected resident occupancy period. This is calculated with reference to the Australian Bureau of Statistics Life tables and historical resident occupancy trends.
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UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B1 Revenue and other income (continued)

Significant accounting policies

(a) Revenue from contracts with clients

Revenue is measured based on the consideration the entity expects to be entitled to in exchange for transferring promised goods or services as specified in a contract with a client. The Group recognises revenue when it transfers control over a good or provides a service to a client.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with clients, including significant payment terms, and the related revenue recognition policies.

Where an agreement is enforceable and contains sufficiently specific performance obligations for the Group to transfer goods or services to a third-party, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers* (AASB 15). Otherwise, revenue is accounted for under AASB 1058 *Income from Not-for-Profit Entities* (AASB 1058), whereby revenue is recognised upon receipt, except for certain capital grants noted below.

Type of good or service	Revenue recognition policies including nature and timing of satisfaction of performance obligations and significant payment terms
Aged care and community services	<p>This revenue stream includes revenue derived from Home Care Packages (HCP), Aged Care Financial Instrument basic daily fees, aged care supplements and client fees for services relating to aged care and community services.</p> <p>Performance obligations are deemed to be the delivery of the services relevant to the above programs. Services are provided primarily on a daily or monthly basis.</p> <p>Revenue is recognised over time when the services are performed and delivered.</p>
Hospital patient services	<p>Performance obligations are deemed to be the delivery of the hospital patient services. Services are provided daily.</p> <p>Revenue is recognised daily as services are provided to hospital patients.</p> <p>A contract receivable representing the Group's right to consideration for services delivered but not yet invoiced is also recognised, refer C1.1.</p>
Family services (grant funded programs)	<p>Grants are received for the funding of family, aged care and community services programs. Where these specify certain specific performance obligations, the Group recognises revenue from services over time as performance obligations are satisfied. Such services are primarily provided on a daily or monthly basis.</p> <p>Any unused funds are to be returned to the funder unless otherwise agreed, and an associated grant funding liability is recognised, refer C1.6.</p> <p>Cyclic and annual acquittals are required to be submitted to the funder for the majority of funded programs, in addition to output-based performance reporting. Funding is generally received quarterly or biannually in advance.</p>
Recoverable revenue (prosthesis)	<p>The Group performs medical procedures that require prosthesis. Performance obligations for prosthesis revenue are deemed to be the delivery of the contracted prosthesis.</p> <p>The Group is considered the principal in these transactions and therefore recognises revenue on a gross basis.</p> <p>Revenue is recognised on delivery of the goods to the patient.</p>
NDIS services	<p>The Group provides services to clients under the National Disability Insurance Scheme (NDIS) as identified in individual contracts. After the provision of the agreed services, the Group may submit a claim through the National Disability Insurance Agency (NDIA) or invoice a client directly for recoupment of revenue for the service.</p> <p>The Group recognises revenue from services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or a monthly basis.</p> <p>There are no related unused funds as claims or invoices for payment are submitted after services are provided.</p>

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B1 Revenue and other income (continued)

Significant accounting policies (continued)

(a) Revenue from contracts with clients (continued)

Type of good or service	Revenue recognition policies including nature and timing of satisfaction of performance obligations and significant payment terms
Lifeline sales	<p>The Group sells new and second-hand goods at its network of Lifeline stores, including online. Goods sold come with a 14-day right of return.</p> <p>Revenue is recognised on delivery of the goods to the client.</p> <p>Historically, the amount of returns has not been material. As such, the full selling price is recognised as revenue.</p>
Daily accommodation payments (DAP)	<p>The Group has assessed its resident agreements relating to residential aged care accommodation arrangements to be leases under AASB 16 <i>Leases</i> (AASB 16) due to the security of tenure that these offer to its residents.</p> <p>The resident agreement only requires 14 days written notice to vacate. For arrangements where residents have elected to pay a DAP, the associated lessor revenue is accounted for under AASB 16.</p> <p>Where residents have chosen to pay an accommodation bond (refer C1.5), the Group receives a financing benefit in the form of an interest free loan. The interest expense associated with this financing benefit is not material and the Group has elected not to recognise the interest expense and corresponding income associated with the accommodation bonds.</p>
Deferred management fees (DMF)	DMFs are amounts retained as income from ingoing contributions and accommodation bonds and are recognised over the expected period of resident occupancy in line with AASB 16.

(b) Other not-for-profit income

The Group is the recipient of income that is accounted for in accordance with AASB 1058, which covers transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives. This includes the following:

(i) Capital grants

AASB 1058 prescribes specific accounting requirements for capital grants. The following criteria must be met for a capital grant to be recorded:

- The Group must use the financial asset to acquire or construct an identified non-financial asset;
- The Group will control the asset post acquisition or construction (i.e. no requirement to transfer asset back to transferor or other parties); and
- The arrangement must occur under an enforceable agreement (but not a contract with a client).

The Group recognises a construction obligation liability when funding is received for the construction of an asset, and subsequently recognised progressively as revenue as the Group satisfies its obligations under the grant through construction of the asset. Refer to note C1.6 for construction obligation liabilities recognised relating to incomplete performance obligations at the end of the period.

(ii) Fundraising, donations and bequests

Income is recognised when received, unless it is required to be accounted for under AASB 15, in which case it is deferred until the relevant performance obligations have been satisfied.

(iii) Volunteering

The Group has elected not to recognise the receipt of volunteer services as income, asset or expense as the fair value of the services cannot be measured reliably.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B1 Revenue and other income (continued)

Significant accounting policies (continued)

(c) Interest Income

Interest income is recognised using the effective interest method. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Lessor income

Other lessor income includes hospital car park and accommodation income and is for operating leases recognised on a straight-line basis over the lease term in accordance with AASB 16.

(e) Sale and leaseback transactions

When the Group sells and leases back the same asset, the accounting treatment depends on whether the control of the asset has been transferred to the buyer and whether the lease is not exempt from the recognition requirements of AASB 16:

- If so, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights retained by the Group as a seller-lessee. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor;
- If not, as a seller-lessee the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B2 Expenses

	2023	2022
	\$'000	\$'000
Supplies and services expenses		
Patient services and supplies	242,057	229,726
Resident services and supplies	82,797	76,116
Cleaning and housekeeping	26,980	22,155
Other supplies and services	35,575	13,707
Total supplies and services expenses	387,409	341,704
Property expenses		
Repairs and maintenance expense	62,572	55,645
Communications and utilities expense	32,905	32,166
Motor vehicle expense	15,179	13,486
Rates and taxes	9,256	8,873
Property insurance	9,872	7,605
Rental expense	7,279	5,999
Other property expense	6,706	6,613
Impairment expense	429	1,528
Total property expenses	144,198	131,915
Other expenses		
Consulting and professional fees	59,238	52,462
Software-as-a-service expense	40,564	6,936
Business expenses	24,166	18,240
Administrative and other expenses	15,982	8,323
Stewardship expenses	9,320	9,320
Total other expenses	149,270	95,281
Finance costs		
Interest expense	3,263	2,940
Bank charges and fees	1,199	1,030
Total finance costs	4,462	3,970

The Group's major categories of expenses have been disclosed above. We note that:

- Supplies and services expenses include the cost of goods sold and costs incurred in delivering services to patients and residents;
- Property expenses comprise all costs associated with the ownership and maintenance of the Group's property, plant and equipment;
- Other expenses include external contractors, consulting and professional fees, software-as-a-service expenses, stewardship and general business and administrative expenses; and
- Finance costs comprise interest expense on lease liabilities recognised using the effective interest method and bank fees.

Software-as-a-service expenses increased significantly in 2023, driven by the Group's investment in technology projects (Human Resources Information, Care Management, Procure to Pay, and Finance Systems) which provide a platform to support improved and sustainable care delivery now and into the future.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

B3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Balances are carried at face value of the amounts deposited.

	2023	2022
	\$'000	\$'000
Cash on hand	134	147
Cash at bank	142,607	238,616
Deposits – UCIS	192,493	218,863
Deposits – Other	25,000	40,000
Total cash and cash equivalents	360,234	497,626

Restricted balances included within cash and cash equivalents

Grant agreements and donations	29,797	30,590
<i>Funds held in Trust under Retirement Villages Act 1999:</i>		
Capital Replacement Funds	3,603	3,480
Maintenance Reserve Funds	6,347	6,779
General Services Funds	668	799
Total restricted balances	40,415	41,648

Certain balances are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements. In addition, all residential aged care bond deposits received since 1 October 2011, that have been expended on projects, meet the *Aged Care Act 1997* "permitted purposes".

Reconciliation of (deficit)/surplus to net cash flow from operating activities

	2023	2022
	\$'000	\$'000
(Deficit)/Surplus for the year	(57,696)	16,696
Depreciation and amortisation expense	119,707	109,118
Capital grants from government	(16,634)	(16,169)
Write-offs and impairment expense	429	1,528
Gain on sale of property, plant and equipment	(17,744)	(12,324)
Fair value loss on resident loans	7,803	10,866
Deferred management fee revenue and retentions	(15,523)	(16,000)
Share of profit in joint ventures	(929)	(1,383)
Change in fair value of investment properties	(10,251)	(19,576)
Fair value (gain)/loss on financial assets at Fair Value through Profit or Loss (FVTPL)	(393)	461
Investment income	(517)	(870)
Non-cash transactions included in the surplus for the year	938	1,879
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(22,558)	47,770
(Increase) in prepayments	(2,060)	(8,419)
(Increase)/Decrease in inventories	(840)	321
(Increase) in other assets	(299)	(8,620)
Increase/(Decrease) in trade and other payables	21,025	(37,843)
(Decrease) in other liabilities	(28,941)	(32,868)
Increase/(Decrease) in employee benefits and other provisions	14,358	(15,564)
Net cash (outflow)/inflow from operating activities	(10,125)	19,003

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C Our operating base

This section provides further insight into the Group's operating asset base used to support the provision of health, aged care and community services. This section includes working capital, property, plant and equipment and intangible assets. Working capital includes trade and other receivables, inventories, other assets, trade and other payables, ingoing contributions, RADs and accommodation bonds and other liabilities.

C1 Working Capital

C1.1 Trade and other receivables

	2023	2022
	\$'000	\$'000
Trade receivables	100,727	76,900
Loss allowance	(9,605)	(8,239)
	<u>91,122</u>	<u>68,661</u>
Contract receivables	15,003	19,390
Other receivables	6,210	2,716
GST recoverable	7,755	6,765
Total trade and other receivables	<u>120,090</u>	<u>97,532</u>
	Current - 90	90+ days
	days past	past due
	due	
	\$'000	\$'000
30 June 2023		
Gross carrying amount - trade receivables	76,377	24,350
Loss allowance	(1,881)	(7,724)
	<u>74,496</u>	<u>16,626</u>
30 June 2022		
Gross carrying amount - trade receivables	57,676	19,224
Loss allowance	(1,774)	(6,465)
	<u>55,902</u>	<u>12,759</u>

The above contract receivables include accrued hospital income for patients not yet invoiced.

The closing loss allowances for trade receivables and contract assets as at 30 June 2023 reconcile to the opening loss allowances as follows:

	2023	2022
	\$'000	\$'000
Opening loss allowance as at 1 July	8,239	11,010
Increase in loss allowance recognised in profit or loss during the year	4,700	1,117
Receivables written off during the year as uncollectible	(2,993)	(1,134)
Unused amount reversed	(341)	(2,754)
Closing loss allowance at 30 June	<u>9,605</u>	<u>8,239</u>

Key estimates and judgements

Expected credit losses	To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing profile. The expected loss rates are based on the historical payment profiles of debtors over a period of up to 12 months before 30 June 2023 and 30 June 2022 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the clients to settle the receivables.
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UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

C1 Working Capital (continued)

C1.1 Trade and other receivables (continued)

Significant accounting policies

(a) Trade receivables

Trade receivables are amounts due from clients for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are classified as current. Trade receivables are recognised initially at the transaction price unless they contain significant financing components, then they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method.

(b) Credit Risk

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating surplus/deficit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group applies the simplified approach to measuring expected credit losses and uses a lifetime expected loss allowance for all trade receivables.

(c) Contract receivables

A contract receivable representing the Group's right to consideration for services delivered but not yet invoiced is recognised as hospital patient services are rendered but not yet invoiced. Refer to B1 for hospital patient services revenue.

C1.2 Inventories

	2023	2022
	\$'000	\$'000
Medical supplies	17,092	16,835
Other	4,011	3,428
Total current inventories	21,103	20,263

The cost of inventories recognised as an expense during the year was \$223,140,000 (2022: \$211,555,000). This predominantly relates to medical items and prosthetics.

Significant accounting policies

Purchased inventories are valued at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Second-hand inventory donations are not recognised.

C1.3 Other assets

	2023	2022
	\$'000	\$'000
Current		
Prepayments	21,785	19,725
Accrued income	12,534	16,861
Loans to other entities	-	1,360
Deferred consideration	4,454	-
Other current assets	284	4,012
Total other current assets	39,057	41,958
Non-current		
Funds held in trust	2,350	2,310
Deferred consideration	11,331	-
Total other non-current assets	13,681	2,310

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C1 Working Capital (continued)

C1.3 Other assets (continued)

Funds held in trust are restricted in use to the purposes intended under the trust agreements. Only interest income earned from investment of the principal amounts is permitted to be used. Permitted uses include the promotion of staff development and training and the support of community care services.

Deferred consideration includes consideration receivable for the sale of 2 properties to the Uniting Church in Australia Property Trust (Q.) of \$4,454,000 and \$11,331,000 respectively.

C1.4 Trade and other payables

	2023	2022
	\$'000	\$'000
Current		
Trade payables	85,165	68,603
Accrued expenses	84,911	81,257
Other payables	3,756	2,947
Total current trade and other payables	173,832	152,807
Non-current		
Maintenance reserve funds	6,447	6,979
Total non-current trade and other payables	6,447	6,979

The Group has financial risk management policies in place to ensure that payables are paid within the credit framework. The credit framework is determined by the terms of the creditors and interest is not payable when paid within trading terms.

Maintenance reserve funds are established under section 97 of the *Retirement Villages Act 1999 (Qld)* for maintaining and repairing retirement villages' capital items. The amounts held in the maintenance reserve funds are solely for the benefit of the residents and the residents are solely responsible for contributing to the funds. The budget of the fund is set annually by an external quantity surveyor and drawn down as the allowed items are incurred.

C1.5 Incoming contributions, RADs and accommodation bonds

	2023	2022
	\$'000	\$'000
Expected to be paid within 12 months		
Incoming contributions	37,315	42,956
RADs and accommodation bonds	123,357	108,681
	160,672	151,637
Not expected to be paid within 12 months		
Incoming contributions	513,061	490,116
RADs and accommodation bonds	208,702	212,245
	721,763	702,361
Total incoming contributions, RADs and accommodation bonds	882,435	853,998

Accommodation bonds, including RADs, are held in respect of clients in residential aged care facilities. Incoming contributions are held for clients of retirement living units covered under the *Retirement Villages Act 1999*.

Key estimates and judgements

Refundable accommodation deposits (RADs)	Management use historical performance for resident exits and the average value of current RADs held for the basis of estimating the expected payment periods for current RADs.
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UnitingCare Queensland
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C1 Working Capital (continued)

C1.5 Incoming contributions, RADs and accommodation bonds (continued)

Significant accounting policies

(a) Incoming contributions

Ingoing contributions received from residents represent non-interest-bearing deposits that are refundable in accordance with the relevant legislation and the individual resident agreements in the event the resident leaves a Group facility. As they are considered to be repayable on demand, they are recorded at the amount initially received less any contractually accrued DMF the Group is allowed to deduct and are not discounted.

(b) RADs

RADs are repayable on demand and are classified as current liabilities. They are recorded at the amount initially received less any retention the Group is allowed to deduct in accordance with the relevant legislation and resident agreement in the form of DAPs, and are not discounted. DAPs are accounted for under AASB 16, refer to B1.

The cash required to cover the refund of RADs is subject to a documented liquidity management strategy.

C1.6 Other liabilities

	2023	2022
	\$'000	\$'000
Current		
Grant funding liabilities	31,395	48,694
Contract liabilities	8,096	19,398
Construction obligation	18,523	16,881
Deferred revenue	3,967	4,116
Unearned income	3,573	3,976
Other current liabilities	1,543	1,331
Total other current liabilities	67,097	94,396
Non-current		
Deferred revenue	35,730	33,745
Fundraising monies held in trust	-	403
Unearned income	7,842	8,001
Total other non-current liabilities	43,572	42,149

Unearned income includes a lease to Wesley Medical Research for a 99-year period that has been prepaid. This lease does not have an option to renew or purchase the leased asset at the expiry of the lease period.

Deferred revenue relates to the difference between contractually accrued ingoing contributions and DMF revenue recognised based on expected resident occupancy.

Significant accounting policies

(a) Grant funding liabilities

Grant funding liabilities comprise unfulfilled performance obligations for government grants containing a refund obligation. Liabilities are released to the statement of profit or loss and other comprehensive income as performance obligations are satisfied, refer B1, or returned to the funder unless otherwise agreed.

(b) Contract liabilities

Contract liabilities comprise unfulfilled performance obligations for Home Care Packages. Liabilities are released to the statement of profit or loss and other comprehensive income as performance obligations are satisfied, refer B1.

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C1 Working Capital (continued)

C1.6 Other liabilities (continued)

Significant accounting policies (continued)

(c) Construction obligation

A construction obligation is recognised for capital grants received for which there is an unfulfilled construction obligation, refer B1.

C2 Property, plant and equipment

	Work in progress	Land and buildings	Plant and equipment	Right of use assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Cost	105,686	1,354,831	655,393	83,142	2,199,052
Accumulated Depreciation	-	(628,030)	(431,441)	(53,252)	(1,112,723)
Carrying amount at 30 June 2023	105,686	726,801	223,952	29,890	1,086,329
Carrying amount at 1 July 2022	91,031	693,319	205,641	28,354	1,018,345
Additions	116,270	29,627	27,806	15,038	188,741
Disposals and derecognitions	-	(6,038)	(1,269)	-	(7,307)
Transfers: from Work in Progress	(101,186)	58,697	23,126	-	(19,363)
Transfers: to Investment Properties	-	(3,945)	-	-	(3,945)
Transfers: to Assets Held for Sale	-	(1,491)	-	-	(1,491)
Transfers: from Intangibles	-	-	22,633	-	22,633
Transfers: between asset classes	-	2,377	(2,377)	-	-
Depreciation	-	(45,745)	(51,608)	(13,502)	(110,855)
Impairment	(429)	-	-	-	(429)
Carrying amount at 30 June 2023	105,686	726,801	223,952	29,890	1,086,329
2022					
Cost	91,031	1,278,807	594,202	68,666	2,032,706
Accumulated Depreciation	-	(585,488)	(388,561)	(40,312)	(1,014,361)
Carrying amount at 30 June 2022	91,031	693,319	205,641	28,354	1,018,345
Carrying amount at 1 July 2021	31,391	724,419	209,183	27,841	992,834
Additions	102,817	10,224	39,217	13,916	166,174
Disposals and derecognitions	-	(3,019)	(1,810)	-	(4,829)
Transfers: from Work in Progress	(43,177)	4,402	2,323	-	(36,452)
Depreciation	-	(42,707)	(43,272)	(13,403)	(99,382)
Carrying amount at 30 June 2022	91,031	693,319	205,641	28,354	1,018,345

Certain transfers out of work in progress have been recognised as additions to investment properties and intangible assets in C3 and C4. Contractual commitments for the acquisition of property plant and equipment are disclosed at note C2.2.

Assets pledged as security

Freehold land and buildings with a carrying amount of \$58,941,000 (2022: \$61,064,000) have been pledged to secure borrowings of the Property Trust. The freehold land and buildings have been pledged as security for bank loans under a mortgage held. The Property Trust is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval from the Australia and New Zealand Banking Group Limited.

Freehold land with a carrying amount of \$3,945,000 (2022: \$3,945,000) has been pledged to Lendlease as security for the Blue Care Sunrise Beach Retirement Village Development Management Agreement. The Property Trust is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval from Lendlease. Leased assets with a carrying value of \$2,257,000 (2022: \$1,973,000) are pledged as security under the terms of the lease.

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Notes to the consolidated financial statements

For the year ended 30 June 2023

C2 Property, plant and equipment (continued)

Assets pledged as security (continued)

As at 30 June 2023, freehold land and buildings with a carrying amount of \$3,805,000 (2022: \$3,999,000) have been pledged to the Queensland Government to secure grant funding under a mortgage. The Group is able to pledge these assets as security for other borrowings provided that the funder remains as a second mortgagee.

In total, property, plant and equipment of \$3,805,000 (2022: \$3,999,000) which is 0.3% (2022: 0.4%) of total property, plant and equipment, has been or will be pledged to secure government grants.

Key estimates and judgements

Estimated useful life of property, plant and equipment	The estimated useful lives of property, plant and equipment are assessed annually. This assessment takes into consideration legislative and safety requirements and plans to ensure continued compliance therewith. The estimated useful lives reflect existing redevelopment plans which are also subject to review based on requirements and cost. Future changes to the redevelopment program may impact on the assessment of useful lives with a corresponding impact on depreciation expense in future periods.
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Significant accounting policies

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the consolidated statement of profit or loss and other comprehensive income.

The cost of capital works in progress includes directly attributable expenditure including the cost of materials, direct labour, an initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located, an appropriate proportion of production overheads and directly attributable borrowing costs.

Assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use are classified as assets held for sale. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, an active program to locate a buyer and complete the plan must have been initiated, and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in the consolidated statement of profit or loss and other comprehensive income. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings and improvements	Up to 40 years
- Plant and equipment	3 to 30 years
- Motor vehicles (included in plant and equipment)	3 to 15 years

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C2 Property, plant and equipment (continued)

Significant accounting policies (continued)

(c) Depreciation (continued)

Assets are depreciated on a straight-line basis from the date of acquisition or from the time an asset is completed and held ready for use.

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

(d) Impairment of assets

The carrying amounts of assets are reviewed annually to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of the asset.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

C2.1 Leases

The consolidated statement of financial position shows the following amounts relating to leases:

	2023	2022
	\$'000	\$'000
Right of use (ROU) assets		
Properties	27,599	26,286
Equipment	34	95
Motor vehicles	2,257	1,973
Total ROU assets	29,890	28,354

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

Depreciation of ROU assets		
Properties	12,109	12,036
Equipment	61	185
Motor vehicles	1,332	1,182
Total depreciation of ROU assets	13,502	13,403

Interest expense (included in operating cost)	2,098	2,185
Expense relating to short-term leases (included in property expenses)	8,045	7,069

Total cash outflows for leases (excluding short-term leases) for the year ended 30 June 2023 was \$17,360,000 (2022: \$19,914,000).

The Group leases various properties, equipment and motor vehicles. Rental contracts are made for fixed periods of 1 to 99 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Concessionary leases

The Group has 61 (1 July 2022: 56) below market leases accounting for 17.2% (2022:16.0%) of the total number of leases. The Group is dependent on these leases to further its objectives as it utilises the land and buildings to run its operations and deliver its services. The Group is restricted on the use of the land and buildings subject to these leases as agreed with the respective lessors being local, state or territory governments. This includes 5 leases (2022: 5) of land under deed of grant in trust on which the Group operates aged care facilities.

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C2 Property, plant and equipment (continued)

C2.1 Leases (continued)

The following table outlines the nature of the Group's concessionary leases.

Category	Source	Group Objectives	Lease term	Ave payment p.a. (\$)
Aged care 13: land and buildings	State/Territory government	Regional and remote high care, hostel and remote accommodation	10 to 99 years Average of 45 years	-
Community services 40: land and buildings	Local government	Respite centres, counselling, charity stores and other community services	3 to 50 years Average of 15 years	-
Housing 3: Dwellings	State government	Crisis accommodation	1 to 2 years Average of 2 years	4
Hospitals 5: Equipment	Commercial suppliers	Health care services	1 to 5 years Average of 3 years	-

Significant accounting policies

At inception of a contract, the Group assesses whether a 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.

(a) As a lessee

At commencement or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in consolidated statement of profit and loss and other comprehensive income if the carrying amount of the ROU asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less, while low-value assets include items such as IT equipment.

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C2 Property, plant and equipment (continued)

C2.1 Leases (continued)

(b) Concessionary leases

The Group has applied the option to measure these leases at cost in accordance with AASB 16 and expenses them as incurred.

(c) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies AASB 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as 'other revenue'.

C2.2 Commitments and expenditure

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2023	2022
	\$'000	\$'000
Not later than 1 year		
Buildings	41,443	46,418
Plant and equipment	10,812	8,438
Intangibles	-	1,410
Contractors and consultants	5,132	19,764
	57,387	76,030
Between 1 and 5 years		
Buildings	416	25,245
Total commitments and expenditure	57,803	101,275

C3 Investment properties

	2023	2022
	\$'000	\$'000
At fair value: carrying amount at the beginning of the year	613,039	583,610
Additions	12,937	9,853
Change in fair value of investment properties	10,251	19,576
Carrying amount at the end of the year	636,227	613,039

Amounts recognised in consolidated statement of profit or loss and other comprehensive income

Deferred management fees	15,523	16,000
Change in fair value of investment properties	10,251	19,576

Valuation reconciliation:

Carrying amount of investment properties	636,227	613,039
Less:		
Ingoing contributions	(438,654)	(425,483)
Deferred revenue	(33,483)	(31,700)
Valuation	164,090	155,856

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C3 Investment properties (continued)

In determining market values, the Group obtains independent external valuations for its investment properties on a rolling basis at least every three years. As a result, 2 investment properties have been independently valued during the year ended 30 June 2023 (2022: 2).

Key estimates and judgements

Classification of investment properties Significant management judgement has been applied to determine the classification of retirement units as investment properties. The Group has assessed the risks and rewards associated with ownership of the retirement units as remaining with the Group and not transferring to the occupier. The Group therefore recognises resident loans in respect of those occupied retirement units. The gross carrying amount of these units is recognised with reference to the relevant resident loan.

Fair value estimate of investment properties Investment properties are classified as level 3 in the fair value hierarchy as key assumptions used in their valuation are not observable. The following assumptions have been used in calculating the fair values of investment properties:

Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2023	2022	
Expected market growth	2.5% to 3.5%	2.5% to 3.5%	Fair value increases with higher expected market growth
Average length of stay	5.0 to 13.7 years	5.0 to 11.8 years	Fair value decreases with higher length of stay
Risk adjusted discount rates	13.0% to 16.5%	13.0% to 16.5%	Fair value increases with lower discount rate

Significant accounting policies

Investment properties comprise the resort style retirement villages of the Group. This includes Independent Living Units, Serviced Apartments, common facilities and integral plant and equipment. Investment properties are initially measured at cost including any acquisition costs, and are held to generate income from deferred management fees and the Group's share of the change in the market value of the investment.

Subsequently, investment property is measured at fair value with any change therein recognised in the consolidated statement of profit or loss and other comprehensive income.

Fair value of investment properties under construction is primarily determined using direct comparison of active market prices, adjusted for any difference in the nature, location or stage of completion of the specific asset. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss and other comprehensive income.

If any investment property is disposed, the gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal, and is recognised in the consolidated statement of profit or loss and other comprehensive income in the year of disposal. Any prior year revaluations recognised in the properties revaluation reserve will be reclassified to accumulated funds.

Deferred management fee income from investment property is recognised as revenue on a straight-line basis over the expected period of the resident occupancy in line with AASB 16, refer to B1.

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C4 Intangible assets

	2023	2022
	\$'000	\$'000
Computer software		
Cost	166,839	170,077
Accumulated amortisation	(139,961)	(131,109)
Carrying amount at the end of the year	26,878	38,968
Computer software		
Opening balance	38,968	23,009
Additions	661	-
Transfers: from Work in Progress	18,818	27,171
Transfers: to Property Plant and Equipment	(22,633)	-
Transfers: to Operating Expenses	(84)	-
Amortisation	(8,852)	(9,736)
Impairment	-	(1,476)
Carrying amount at the end of the year	26,878	38,968

During the year ended 30 June 2023, the Group carried the following significant intangible assets: client management system, and a workforce management system. The carrying value related to these intangible assets at year-end was \$7,004,000 and is expected to be amortised between one to seven years.

The Group has intangible assets in the form of residential aged care places which are a right to operate a bed. They are issued by the Commonwealth Government free of charge and have no fixed period once operational. The Group does not assign a value to bed assets due to the lack of a clear market that buys and sells these assets. The Commonwealth Government has discontinued the requirement for aged care providers to hold bed licenses from 1 July 2024 onwards.

Key estimates and judgements

Determination whether configuration and customisation services are distinct from software as a service (SaaS) access	<p>Implementation costs including costs to configure or customise the cloud provider's application software are recognised when the services are received.</p> <p>Where the software-as-a-service (SaaS) arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred when the software is configured or customised. Non-distinct configuration and customisation costs are expensed over the SaaS contract term.</p> <p>Non-distinct customisation activities may significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.</p>
Capitalisation of configuration and customisation costs in SaaS arrangements	<p>In implementing SaaS arrangements, the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement's cloud-based application.</p> <p>Judgement has been applied in determining whether the changes to the owned software meets the definition and recognition criteria for an intangible asset in accordance with AASB 138 <i>Intangible Assets</i>.</p>

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C4 Intangible assets (continued)

Significant accounting policies

(a) Recognition and measurement

Expenditure on research activities is recognised in the consolidated statement of profit and loss and other comprehensive income when incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development to be able to use or sell the asset. Otherwise, it is recognised in profit and loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of profit and loss and other comprehensive income as incurred.

(c) Amortisation

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit and loss.

The estimated useful life for software development costs is 1 to 10 years.

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

(d) Impairment

Intangible assets are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying value, an impairment loss is recorded to adjust the carrying value. The Group does not have intangibles with indefinite lives.

(e) SaaS arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud providers application software, are recognised as operating expenses when the services are received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability of, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate. Judgement is required to determine whether the additional code meets the definition of an intangible asset.

When the SaaS arrangement supplier provides both the configuration and customisation services, and the SaaS access over the contract term, judgement is required to determine whether these services are distinct or not from each other. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term (i.e. as a prepayment).

Non-distinct customisation activities may significantly enhance or modify a SaaS cloud-based application. Judgement is required in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

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D Financial Instruments

This section provides information on Group objectives when managing capital. The Group's objectives are to safeguard the Group's ability to continue as a going concern, and to ensure the funding structure enhances, protects and balances financial flexibility against minimising the cost of capital. Given the nature of Group operations, it is also exposed to a number of market risks; this section outlines how these key risks are managed.

D1 Financial assets

	2023	2022
	\$'000	\$'000
Debt instruments at fair value through profit or loss	2,299	1,948
Equity instruments at fair value through other comprehensive income	35,259	28,624
Total financial assets	37,558	30,572

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

Income/(losses) recognised in other comprehensive income

Related to equity investments	3,620	(4,713)
Related to debt investments	8	(617)
Total income/(losses) recognised in other comprehensive income	3,628	(5,330)

Income recognised in profit or loss

Related to debt investments (recognised in other expense)	393	(461)
Dividends from equity investments held at FVOCI recognised in other income	594	956
Total income recognised in profit or loss	987	495

The Group has established an investment portfolio which is managed in accordance with the Group's Investment Management Strategy (IMS). The IMS provides a framework within which the Group can invest funds in a considered, sustainable and compliant way.

Significant accounting policies

(a) Recognition and initial measurement

Debt and equity instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Debt and equity instruments are initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and subsequent measurement

Classification

On recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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D1 Financial assets (continued)

Significant accounting policies (continued)

(b) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The fair value of financial assets at FVTPL and FVOCI is determined based on current bid prices for all quoted investments at reporting date.

Subsequent measurement, gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains or losses are recognised in OCI. On derecognition, gains or losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

D2 Borrowings

	2023	2022
	\$'000	\$'000
Current		
Lease liabilities	14,615	11,786
Total current borrowings	14,615	11,786
Non-current		
Lease liabilities	24,817	28,026
Total non-current borrowings	24,817	28,026

At the end of the reporting period the Group had access to the following facilities:

- i. ANZ bank guarantees facility of \$11,000,000 (2023: \$6,237,000 utilised; 2022: \$6,171,000 utilised)
- ii. ANZ asset finance facility of \$8,900,000 (2023: \$95,000 utilised; 2022: \$Nil utilised); and
- iii. UCIS line of credit facility of \$20,000,000 (2023: \$Nil utilised; 2022: Nil utilised).

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D2 Borrowings (continued)

Significant accounting policies

(a) Borrowings

Borrowings are initially recognised when the Group becomes a party to the contractual provisions of the instrument. They are initially measured at fair value less transaction costs that are directly attributable to their acquisition.

Borrowings are classified and measured at amortised cost using the effective interest method. Any difference between cost and redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the entire period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer the settlement of the liability for at least twelve months from the end of each annual reporting period.

(b) Lease liabilities

Refer to accounting policy at C2.1.

D2.1 Movement in liabilities from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Cash flows presented below exclude interest.

	1 July 2022 \$'000	Cash flows \$'000	New leases \$'000	Other \$'000	30 June 2023 \$'000
Liabilities					
Lease liabilities	39,812	(15,262)	14,796	86	39,432
Ingoing contributions, RADs and accommodation bonds	853,998	37,993	-	(9,556)	882,435
Total liabilities from financing activities	893,810	22,731	14,796	(9,470)	921,867

	1 July 2021 \$'000	Cash flows \$'000	New leases \$'000	Other \$'000	30 June 2022 \$'000
Liabilities					
Lease liabilities	43,787	(17,729)	13,828	(74)	39,812
Ingoing contributions, RADs and accommodation bonds	805,632	54,232	-	(5,866)	853,998
Total liabilities from financing activities	849,419	36,503	13,828	(5,940)	893,810

Other changes for ingoing contributions, RADs and accommodation bonds include deferred management fees, movement in deferred revenue liabilities and retention revenue. Other changes for lease liabilities relate to interest costs which is a cash movement included in interest paid in the consolidated statement of cash flows.

D3 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risks, credit risk, capital risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Group's current strategy to meet minimum liquidity requirements is to constantly monitor cash flow through the preparation of monthly cash flow statements and cash flow reconciliations and forecasts.

The Group deposits funds with, and borrow funds from, UCIS, the Treasury arm of the Property Trust, ANZ, CBA, NAB, Bank of Queensland, and Bendigo Bank. Risk management is carried out under policies approved by the Queensland Synod Finance, Investment and Property Board and the Group's Board.

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D3 Financial risk management objectives (continued)

The fair values of financial assets and financial liabilities approximate carrying amounts as the assets and liabilities are either (i) short-term; (ii) the impact of discounting is not significant; or (iii) any borrowings incur interest at variable rates.

D3.1 Capital risk management

The capital structure consists of cash and cash equivalents, other financial assets and borrowings. Operating cash flows are used to maintain and expand the Group's assets, as well as to meet routine outflows including repayment of borrowings. The policy is to borrow centrally, using a variety of borrowing facilities to meet anticipated funding requirements.

(a) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the end of the annual reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(b) Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk; (ii) foreign currency risk; and (iii) price risk.

(i) Interest rate risk

The Group's main interest rate risk arises from interest bearing cash and cash equivalents and other financial assets. The Group has significant interest-bearing assets and the income and operating cash flows are materially exposed to changes in interest rates. There has been no change to the nature of these risks or the manner in which these risks are managed and measured.

Interest rate risks on borrowings are managed with the aim of reducing the impact of short-term fluctuations in earnings. However, over the longer term, permanent changes in interest rates would have an impact on earnings. At 30 June 2023, it is estimated that a general increase of one percentage point in interest rates on borrowings would not have a material impact on the Group. The undiscounted contractual maturities include interest that will be earned. This information is included as liquidity is managed on a net asset basis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2023		30 June 2022	
	USD \$'000	Other \$'000	USD \$'000	Other \$'000
Shares (equity instruments)	4,058	687	5,796	1,780

As shown above, the Group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated shares. The impact of a +/- 12% movement in the AUD/USD exchange rate would result in an increase or decrease of \$487,000 (2022: \$696,000) on profit or loss. The Group's exposure to other foreign exchange movements is not material.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group's exposure to price risk arises from financial asset investments held by the Group and classified as either FVOCI or FVTPL, refer D1. To manage its price risk arising from investments in debt and equity instruments, the Group diversifies its portfolio, with limits on asset classes and industries. Diversification of the portfolio is done in accordance with the policies and limits set by the Group, which include expected rates of return and ethical restrictions. Investments are managed at arm's length by an independent and fully qualified investment manager.

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D3 Financial risk management objectives (continued)

D3.1 Capital risk management (continued)

(b) Market risk management (continued)

(iii) Price risk (continued)

The investment portfolio includes cash, term deposits, managed funds, exchange trade funds, corporate bonds, Australian equities and international equities, refer D1. If the price of Australian equities classified as FVTPL had been 20% higher or lower, the surplus/(deficit) for the year would have increased or decreased by \$460,000 (2022: \$390,000) as a result.

(c) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. UCIS maintains flexibility in funding by keeping external credit lines available. The Group has a documented liquidity risk management strategy in compliance with requirements of the *Aged Care Act 1997*.

The following table details the expected maturity for the Group's financial assets and liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities, including interest that will be earned or charged on those assets. The inclusion of information on financial assets and liabilities is necessary in order to understand the liquidity risk management as the liquidity is managed on a net asset and liability basis.

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D3 Financial risk management objectives (continued)

D3.1 Capital risk management (continued)

(c) Liquidity risk management (continued)

	Effective Interest Rate	MATURING (Years)			
		< 1	1 to 2	> 2	Total
	%	\$'000	\$'000	\$'000	\$'000
30 June 2023					
Assets					
<i>Non-interest bearing:</i>					
Cash and cash equivalents	-	134	-	-	134
Financial assets	-	22,833	-	-	22,833
Trade and other receivables	-	120,090	-	-	120,090
Deferred consideration ¹	-	4,454	12,000	-	16,454
<i>Floating interest rate:</i>					
Cash and cash equivalents	2.89	360,100	-	-	360,100
Financial assets	2.20	14,725	-	-	14,725
Funds held in trust	2.77	-	-	2,350	2,350
Total financial assets		522,336	12,000	2,350	536,686
Liabilities					
<i>Fixed interest rate:</i>					
Lease liabilities	3.92	14,615	12,495	12,322	39,432
<i>Non-interest bearing:</i>					
Ingoing contributions, RADs and accommodation bonds	-	882,435	-	-	882,435
Trade and other payables	-	173,832	-	6,447	180,279
Other liabilities	-	59,557	-	-	59,557
Total financial liabilities		1,130,439	12,495	18,769	1,161,703
30 June 2022					
Assets					
<i>Non-interest bearing:</i>					
Cash and cash equivalents	-	147	-	-	147
Financial assets	-	21,577	-	-	21,577
Trade and other receivables	-	97,532	-	-	97,532
<i>Floating interest rate:</i>					
Cash and cash equivalents	0.39	497,479	-	-	497,479
Financial assets	0.48	8,995	-	-	8,995
Loans to other entities	3.70	1,360	-	-	1,360
Funds held in trust	0.12	-	-	2,310	2,310
Total financial assets		627,090	-	2,310	629,400
Liabilities					
<i>Fixed interest rate:</i>					
Lease liabilities	3.90	11,786	11,912	16,114	39,812
<i>Non-interest bearing:</i>					
Ingoing contributions, RADs and accommodation bonds	-	853,998	-	-	853,998
Trade and other payables	-	152,807	6,979	-	159,786
Other liabilities	-	86,304	403	-	86,707
Total financial liabilities		1,104,895	19,294	16,114	1,140,303

¹ Deferred consideration is presented at its undiscounted value.

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E Our People

This section provides further details of the Group's investment in our people, including employee benefits and remuneration of key management personnel.

E1 Employee benefits

	2023	2022
	\$'000	\$'000
Current		
Annual leave	101,213	92,051
Long service leave	62,587	61,912
Accrued day off and other leave	980	1,021
Sick leave	2,370	2,369
Total current employee benefits	167,150	157,353
Non-current		
Long service leave	20,253	14,309
Total non-current employee benefits	20,253	14,309

The current portion of employee benefits liability includes all of the employee benefits where employees have completed the required period of service or will complete the required period of service within 12 months from the balance date. The entire annual leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

The current portion of the long service leave represents the unconditional entitlement where employees have completed the required period of service, or are expected to complete the required period of service within 12 months, and also for those employees that are entitled to pro-rata payments in certain circumstances.

Portable long service leave for community services workers within the community services industry came into effect with the passing of the *Queensland Community Services Industry (Portable Long Service Leave) Act 2020*. The scheme is administered by QLeave. The above long service leave balances contain an estimate for the probable reimbursement to be received from QLeave under the scheme.

The Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Current leave obligations not expected to be settled within 12 months, included in current employee benefits, were \$101,867,000 (2022: \$58,171,000). Note that during the year, additional information has been made available to management to be able to more accurately estimate the value of leave expected to be taken within 12 months.

Key estimates and judgements

Annual and long service leave assumptions	The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered. These estimates have also been applied to the calculation for the probable reimbursement from QLeave under the portable long service leave scheme.
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Significant accounting policies

(a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group recognises benefits accruing to employees in respect of wages and salaries, annual leave, long service and accumulating sick leave as short-term benefits and measures these at their nominal values using the remuneration rate expected to apply at the time of settlement (including relevant on-costs).

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E1 Employee benefits (continued)

Significant accounting policies (continued)

(b) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

(c) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted to determine present value.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructure and has raised a valid expectation that it will carry out the plan through either commencement or announcing its main features to those affected by it. The measurement of the provision includes only the direct expenditures arising from the restructure, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

E2 Key management personnel compensation

In addition to their salaries, the Group provides non-cash benefits to key management personnel. Key management personnel compensation paid to Directors and executives included in salaries and employee expenses in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023	2022
	\$'000	\$'000
Short-term employee benefits	6,527	6,234
Post-employment benefits	559	294
Termination benefits	77	174
Total key management personnel compensation	7,163	6,702

No transactions other than those disclosed above were made with key management personnel (2022: Nil).

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F Our Structure

This section explains the Group's structure, including entities we control, and our interests in joint ventures.

F1 Joint operations

Blue Care has a 50% interest in a joint operation with Brisbane Housing Company Limited that provides affordable housing under the National Rental Affordability Scheme (NRAS). Financial information relating to this interest is set out below.

	2023	2022
	\$'000	\$'000
Interest in joint operation		
Property, plant and equipment	4,121	4,249
Less: accumulated depreciation	(131)	(128)
Net interest in joint operation	3,990	4,121
Results		
Lessor income	623	624
Expenses	(267)	(270)
Net contribution to result	356	354

Significant accounting policies

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in joint operations are accounted for through the recognition of the proportionate share of the assets, liabilities, revenues and expenses of the joint operation. Classification of these items is consistent within the Group.

F2 Interests in other entities

Interests in equity accounted joint venture

			Ownership Interest		Carrying Amount of Investment	
			2023	2022	2023	2022
	Place of Business	Principal Activities	%	%	\$'000	\$'000
Leap in! Australia Ltd ⁱ	Australia	Healthcare	50	50	1,158	229
Investments accounted for using the equity method					1,158	229

ⁱ Leap in! Australia Ltd is an online portal for national disabilities insurance scheme clients.

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F2 Interests in other entities (continued)

Movements during the year for equity accounted investments

	2023	2022
	\$'000	\$'000
At beginning of the year	229	-
Add: Share of joint venture surplus	929	229
Balance at end of the year	1,158	229
Summarised financial performance:		
Joint ventures surplus for the period of ownership	929	1,383

The Group's share of joint venture surplus in Leap in! Australia Ltd has been offset against previously recognised deficits. The share of surplus is only recognised against the investment where the previously recognised losses have been extinguished. There is no other consideration owing.

Commitments and contingent liabilities in respect of joint venture

There were no commitments or contingent liabilities in respect of the Group's joint venture at 30 June 2023 (2022: Nil).

Significant accounting policies

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group recognises its share of the profits or losses of the joint venture, and its share of movements in the consolidated statement of profit or loss and other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest. Accounting policies are consistent with the Group's policies.

Interests in joint ventures are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying amount an impairment loss is recorded to adjust the carrying amount.

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G Other Disclosures

G1 New and amended standards adopted

A number of standards became effective for the Group from 1 July 2022. These are as follows:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2022-3 Amendments to Australia Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15
- Onerous Contracts – Cost of Fulfilling a Contract

None of the above standards have had a material impact on the Group.

G2 Standards and Interpretations in issue but not yet adopted

Apart from those presented below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(a) AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

This standard amends AASB 101 *Presentation of Financial Statements* (AASB 101) to require a liability be classified as current when entities do not have a substantive right to defer settlement at the end of the reporting period. It is effective for annual reporting periods beginning on or after 1 January 2023 and early adoption is permitted.

The Group is currently investigating the impact of this amendment.

(b) AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This standard amends:

(i) AASB 7 *Financial Instruments* (AASB 7) to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

(ii) AASB 101 *Presentation of Financial Statements* (AASB 101) to require entities to disclose their material accounting policy information rather than their significant accounting policies;

(iii) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; and

(iv) AASB Practice Statement 2 *Making Materiality Judgements* (PS 2) to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

It is effective for annual reporting periods beginning on or after 1 January 2023 and early adoption is permitted.

The Group is currently investigating the impact of this amendment.

(c) AASB 17 Insurance Contracts

This standard supersedes AASB 4 *Insurance Contracts* and similarly applies to insurance contracts. The classification of insurance contracts is similar to AASB 4 however unbundling rule changes may mean some contract components now need to be measured under AASB 17.

It is effective for annual reporting periods beginning on or after 1 January 2023 and early adoption is permitted.

This standard is not expected to have a significant impact on the Group's consolidated financial statements.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

G3 Auditor's remuneration

	2023	2022
	\$	\$
Audit fees	830,000	570,000
Other services	1,174,204	77,100
Total auditor's remuneration	2,004,204	647,100

The auditor for the Group is Deloitte Touche Tohmatsu. Other services provided relate to consulting and professional fees. Management has an Auditor Independence Policy in place to formally approve the non-audit services provided by Deloitte and is satisfied that the provision of non-audit services during the year ended 30 June 2023 is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*. The Board has reviewed the position on permitted non-audit services and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the nature and scope of the non-audit services provided does not compromise the auditor independence policy.

G4 Other related party disclosures

G4.1 Equity interests in related parties

For details of joint arrangements refer to sections F1 and F2.

G4.2 Transactions with other related parties

UnitingCare Queensland is part of the Uniting Church in Australia - Queensland Synod. The Group has a related party relationship with and undertakes transactions with various agencies and departments of the Property Trust including The Department of Finance and Property Services, Uniting Church Investment Services and Uniting Church Insurance. The Group makes financial contributions to the Uniting Church in Australia – National Assembly which is the national body for the Uniting Church network.

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

G4 Other related party disclosures (continued)

G4.2 Transactions with other related parties (continued)

(a) Transactions and balances with related parties

The consolidated surplus for the year includes the following amounts arising from transactions and balances with related parties:

	2023	2022
	\$'000	\$'000
Uniting Church in Australia – Queensland Synod		
Chaplaincy services	(4,067)	(3,536)
Insurance premiums expense	(12,999)	(11,396)
Land tax expense	(978)	-
Other expenses	(2)	(57)
Stewardship fee	(9,320)	(9,320)
Redress and sensitive matters contribution	(1,800)	(1,200)
Consideration receivable for transfer of childcare centres	-	3,900
Consideration receivable for sale of properties	15,785	-
Net payables owed	(277)	(190)
Uniting Church Investment Services		
Interest revenue received	8,271	946
Cash on deposit at the end of year	192,540	218,910
Funds held in trust	2,350	2,310
The Uniting Church in Australia – National Assembly		
Contribution paid	(260)	(250)
Leap in! Australia Ltd		
Investment in Leap in! Australia Ltd	1,158	229
Loan receivable	-	1,360
Reversal of impairment of loan receivable	-	384
Share of joint venture surplus	929	1,383
Interest revenue	44	77
Loans repaid	1,404	1,000

UnitingCare Queensland

Notes to the consolidated financial statements

For the year ended 30 June 2023

G5 Contingent assets and liabilities

National Redress Scheme

Periodically, the organisation is notified of claims from people who have received current and/or previous services from the Uniting Church in Australia, Queensland Synod or its predecessor Denominations. Although the Group and the Uniting Church in Australia, Queensland Synod meet with claimants, payments made to claimants are paid through the Queensland Synod Insurance Managed Fund (including where applicable contributions from insurers and other predecessor Denominations) and not directly by the Group.

The National Redress Scheme was established on 1 July 2018 and the Group is a member of the scheme. The financial responsibility for meeting costs associated with redress and civil litigation will be borne collectively by the Uniting Church in Australia, with UnitingCare Queensland being a responsible body contributing to the recovery of costs. The nature and extent of any claims in any period are not predictable and therefore any amounts levied may vary from year to year.

Legal Claims

From time to time, the services of the Group are named in legal claims of a medical nature. The outcome of these claims is uncertain. The Board is of the opinion that provisions are not required in respect of these matters, as it is not probable that a future outflow of economic benefits will be required or the amount is not capable of reliable measurement and insurance policies are adequate to meet these claims. The maximum exposure to liability for excess payments in respect of these claims is \$6,155,000 (2022: \$6,777,000).

Capital Funding Grants

The Group has received capital grants from the State and Commonwealth governments. Funding received may be repayable in circumstances where the asset is sold or it ceases to be used for its funded purpose, depending on the specific contractual obligations of each contract. The estimated contingent liability at 30 June 2023 was \$82,229,000 (2022: \$69,520,000).

Insurance Claims

The Group has suffered financial damages as a result of the significant weather event in February 2022 and the cyber incident in April 2021. The Group has submitted claims to the value of \$39.0m and has recovered \$8.2m to date. Whilst the outcome of the claims is uncertain, the Group currently estimates the total amount yet to be recovered for these incidents to be in excess of \$30.8m.

Other than the above matters, the Board is not aware of any other contingent assets or liabilities at the date of this report.

G6 Events after the reporting period

There were no further matters subsequent to the end of the year that have come to attention that would have a material impact on the consolidated financial statements or disclosures therein.

G7 ACNC disclosure

As per section A2.12, the UCQ ACNC reporting group includes the following entities:

- UnitingCare Queensland;
- UnitingCare Community;
- Blue Care; and
- UnitingCare Health.

However, UnitingCare Queensland also controls and consolidates Australian Regional and Remote Community Services Limited (ARRCS). A reconciliation is included below, with any reclassifications required to comply with ACNC disclosure requirements:

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

G7 ACNC disclosure (continued)

Consolidated statement of profit or loss and other comprehensive income	UCQ ACNC reporting group \$'000	Other controlled entities ⁱ \$'000	Eliminations \$'000	UCQ Consolidated Group \$'000
Revenue				
Government grants ⁱⁱ	630,359	85,247	-	715,606
Donations and bequests ⁱⁱⁱ	11,928	42	-	11,970
Revenue from providing goods or services	1,075,181	11,290	-	1,086,471
Revenue from investments	15,018	943	-	15,961
Other revenue	76,433	5,443	-	81,876
Total revenue	1,808,919	102,965	-	1,911,884
Other income	24,637	126	11,078	35,841
Total gross income	1,833,556	103,091	11,078	1,947,725
Expenses				
Employee expenses	(1,134,809)	(66,934)	1,368	(1,200,375)
Interest expenses	(4,365)	(97)	-	(4,462)
Other expenses	(760,949)	(27,189)	(12,446)	(800,584)
Total expenses	(1,900,123)	(94,220)	(11,078)	(2,005,421)
Net surplus	(66,567)	8,871	-	(57,696)
Other comprehensive loss	3,628	-	-	3,628
Total comprehensive income	(62,939)	8,871	-	(54,068)
Consolidated statement of financial position				
Assets				
Total current assets	1,414,598	55,013	(890,078)	579,533
Total non-current assets	1,670,433	93,886	(46)	1,764,273
Total assets	3,085,031	148,899	(890,124)	2,343,806
Liabilities				
Total current liabilities	377,507	41,939	890,078	1,309,524
Total non-current liabilities	102,393	1,316	-	103,709
Total liabilities	479,900	43,255	890,078	1,413,233
Net assets	2,605,131	105,644	(1,780,202)	930,573

ⁱ All other controlled entities are also public benevolent institutions.

ⁱⁱ Government grants includes both aged care and community services, family services, capital grants from government and non-recurring revenue and income (refer B1).

ⁱⁱⁱ Donations and bequests includes both fundraising, donations, and bequests (refer B1).

UnitingCare Queensland
Notes to the consolidated financial statements
For the year ended 30 June 2023

G7 ACNC disclosure (continued)

G7.1 Revenue and other income from government

The UCQ ACNC reporting group receives significant funding from government departments and agencies to enable its continued operations. The following table outlines the largest 10 sources of revenue and other income (including grants) received from the respective level of government department or agency. Further information may be obtained from the Group's Annual Information Statement lodged with the ACNC.

	UCQ ACNC reporting group \$'000	Other controlled entities \$'000	UCQ Consolidate d Group \$'000
Commonwealth Government			
Department of Health and Aged Care	633,892	87,853	721,745
National Disability Insurance Agency	31,624	2,415	34,038
Department of Social Services	17,356	85	17,441
Department of Veterans Affairs	8,555	181	8,737
National Indigenous Australians Agency	3,516	365	3,881
Total income from Commonwealth Government	694,943	90,899	785,842
State Government			
Department of Children, Youth Justice and Multicultural Affairs	53,951	-	53,951
Queensland Health	26,693	-	26,693
Department of Communities, Housing and Digital Economy	14,997	-	14,997
Department of Housing and Public Works	7,614	-	7,614
Department of Justice and Attorney-General	5,344	-	5,344
Total income from State Government	108,600	-	108,600
Other departments and agencies	5,568	616	6,184

G7.2 Related party transactions

For the purpose of the UCQ ACNC reporting group's Annual Information Statement, related party transactions are categorised as follows:

- Fees paid to a related party for providing goods or services to the Group;
- Loans from or to a related party;
- Transfer of charity property or assets to a related party; and
- Investment in a related party.

Declaration by the Board of UnitingCare Queensland

30 June 2023

The Board of UnitingCare Queensland declares that:

- (a) the financial statements and notes set out on pages 1 to 41:
 - i. comply with the *Australian Charities and Not-for-profits Commission Act 2012* including compliance with Australian Accounting Standards and mandatory professional reporting requirements; and
 - ii. give a true and fair view of the financial position of UnitingCare Queensland as at 30 June 2023 and of its performance as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that UnitingCare Queensland will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board.

Dated 3 October 2023



Nigel Alexander, Chair
UnitingCare Queensland Board



Susan Rix, Chair
UnitingCare Queensland Audit, Risk
and Compliance Committee

The Chair
UnitingCare Queensland Board
Level 5, 192 Ann Street
Brisbane Qld 4000
Australia

3 October 2023

Dear Nigel,

Auditor's Independence Declaration to The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Board of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland.

As lead audit partner for the audit of the financial statements of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; or
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Nathan Furness
Partner
Chartered Accountants

Independent Auditor's Report to the Board of UnitingCare Queensland acting through The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

Opinion

We have audited the financial report of The Uniting Church in Australia – Queensland Synod, Uniting Care Queensland (the “Group”) which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in funds and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Board of Uniting Care Queensland (the “Board”) as set out on pages 1 to 42.

In our opinion, the accompanying financial report of The Uniting Church in Australia – Queensland Synod, Uniting Care Queensland is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the “ACNC Act”), including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*.

Basis for Opinion

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

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

Responsibilities of the Board for the Financial Report

The Board of the Group is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC Act and for such internal control as the Board determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board are responsible for assessing the ability of Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Nathan Furness
Partner
Chartered Accountants

Brisbane, 3 October 2023



R G Saayman
Partner
Chartered Accountants

Brisbane, 3 October 2023

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