

FINANCIAL STATEMENT
2023-2024



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30 June 2024

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Australian Regional and Remote Community Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue			
Revenue from contracts with clients	B1	107,008	87,297
Other income	B1	10,323	16,112
Total revenue		117,331	103,409
Expenses			
Salaries and employee expenses		(81,686)	(66,934)
Supplies and services expenses	B2	(7,433)	(6,772)
Depreciation and amortisation expenses		(6,519)	(4,797)
Property expenses	B2	(9,666)	(8,683)
Other expenses	B2	(7,447)	(6,937)
Finance costs	B2	(612)	(415)
Total expenses		(113,363)	(94,538)
Surplus for the year		3,968	8,871
Total comprehensive income for the year		3,968	8,871

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

Australian Regional and Remote Community Services Limited
Statement of financial position
For the year ended 30 June 2024

		2024	2023
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	B3	66,400	51,027
Trade and other receivables	C1.1	1,556	1,475
Other assets	C1.2	2,528	2,511
Total current assets		70,484	55,013
Non-current assets			
Property plant and equipment	C2	98,168	92,620
Right of use assets	C3	3,496	1,258
Intangible assets	C4	11	8
Total non-current assets		101,675	93,886
TOTAL ASSETS		172,159	148,899
Current liabilities			
Trade and other payables	C1.3	6,972	7,521
Refundable accommodation deposits	C1.4	5,735	6,817
Lease liabilities	D1	747	456
Employee benefits	E1	6,687	5,367
Other liabilities	C1.5	38,738	21,778
Other provisions		195	-
Total current liabilities		59,074	41,939
Non-current liabilities			
Lease liabilities	D1	2,034	353
Employee benefits	E1	960	724
Other provisions		479	239
Total non-current liabilities		3,473	1,316
TOTAL LIABILITIES		62,547	43,255
NET ASSETS		109,612	105,644
Equity			
Accumulated funds		109,612	105,644
TOTAL EQUITY		109,612	105,644

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

Australian Regional and Remote Community Services Limited
Statement of changes in funds
For the year ended 30 June 2024

	Accumulated funds \$'000
Balance at 1 July 2022	96,773
Surplus for the year	8,871
Balance at 30 June 2023	105,644
Balance at 1 July 2023	105,644
Surplus for the year	3,968
Balance at 30 June 2024	109,612

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

Australian Regional and Remote Community Services Limited

Statement of cash flows

For the year ended 30 June 2024

		2024	2023
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from clients, funding and others		114,805	88,794
Payments to suppliers and employees		(105,161)	(92,552)
Interest received		1,991	942
Finance costs paid		(226)	(89)
Net cash inflow/(outflow) from operating activities	B3	11,409	(2,905)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		182	-
Payments for property, plant and equipment		(11,398)	(21,982)
Payments for intangible assets		(10)	-
Proceeds from capital grants		16,953	16,030
Net cash inflow/(outflow) from investing activities		5,727	(5,952)
Cash flows from financing activities			
Net proceeds from refundable accommodation deposits	D2.1	(1,082)	954
Repayment of lease liabilities	D2.1	(681)	(385)
Net cash (outflow)/inflow from financing activities		(1,763)	569
Net increase/(decrease) in cash and cash equivalents		15,373	(8,288)
Cash and cash equivalents at beginning of year		51,027	59,315
Cash and cash equivalents at end of year	B3	66,400	51,027

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

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

A About Us

A1 Our Organisation

Australian Regional and Remote Community Services Limited ('ARRCS' or 'the Company') is a public company limited by guarantee. The financial statements include financial information for Australian Regional and Remote Community Services Limited and Regional and Remote Indigenous Services Trust (RRIS Trust) for the purpose of reporting to the Australian Charities and Not-for-profits Commission (ACNC) on a consolidated basis for the Australian Regional and Remote Community Services_ACNC Group. The RRIS Trust contains the sole asset of Hetti Perkins Home for the Aged.

During the year, the principal continuing activities of ARRCS were the provision of aged care services under NAPS ID 6871 and community services in the Northern Territory.

ARRCS is domiciled in Australia.

The financial statements were authorised for issue by the Board of Directors on 18 September 2024.

The registered address and principal office of the Company is Level 5, 192 Ann Street, Brisbane, Queensland 4000.

The Company's Australian Business Number (ABN) is 88 167 926 132.

A2 Our Financial Statements

A2.1 Basis of Preparation

The financial statements:

- are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements issued by the Australian Accounting Standards Board, and the *Australian Charities and Not-for-profits Commission Act 2012*). In some circumstances, where permitted under the AASBs, the Company has elected to apply exemptions available to not-for-profit entities such as for volunteer services and concessional leases;
- have been prepared on the basis of historical cost, except for financial assets which are measured at fair value;
- present all values in Australian dollars, which is the Company's functional currency, and have been rounded to the nearest thousand dollars, unless otherwise stated;
- adjust comparative balances, where applicable, to conform to changes in presentation for the current year; and
- do not early adopt any Australian Accounting Standards and Interpretations issued or amended but not yet effective.

A2.2 Statement of Compliance

The Company does not have 'public accountability' as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* (AASB 1053) and is therefore eligible to apply the 'Tier 2' reporting framework under the Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements of those standards as modified by AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2* (AASB 1060) *Entities* and the disclosure requirements of AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

A2.3 Going Concern

The financial statements include the assumption that the Company will continue to operate as a going concern. The Company is in a net current asset position of \$11,410,000 (2023: \$13,074,000).

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

A2 Our Financial Statements (continued)

A2.4 Economic Dependency

The Company is dependent on both Territory and Commonwealth Government subsidies and grants to fund its operations. The continued support and funding of community care and aged care program facilities by the Territory and Commonwealth Governments are subject to regular reviews and accreditation requirements. The revenue from these Government entities is expected to continue in the foreseeable future. See Note F7.1 for information relating to government funding.

A2.5 Use of Critical Judgements, Estimates and Assumptions

In preparing these financial statements, the Board and management have made judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical accounting judgements, estimates and assumptions are included in the following notes:

Accounting judgements, estimates and assumptions

Imputed DAP revenue on RAD balances	B1
Expected credit losses on trade receivables	C1.1
Refundable accommodation deposits	C1.4
Estimated useful life of property, plant and equipment	C2
Determination whether configuration and customisation services are distinct from software-as-a-service access	C4
Capitalisation of configuration and customisation costs in software-as-a-service arrangements	C4
Lease term and option renewals	D1
Incremental borrowing rates	D1
Annual and long service leave assumptions	E1

A2.6 Current and Non-current Classification

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

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

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

A2.7 Goods and Services Tax (GST)

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position. Cash flows are presented in the 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

A2 Our Financial Statements (continued)

A2.8 Income Taxes

No provision for income tax has been made as the Company 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.

A2.9 Fair Work Commission Aged Care Sector Wage Increases

As part of the Fair Work Commission's Aged Care Work Value Case (Stage 2), an agreement was made to increase the award rates for certain roles working in the aged care sector by 15% effective from 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.

In March 2024, the Fair Work Commission's Aged Care Work Value Case (Stage 3) announced increases to direct care roles of up to 28% (inclusive of the 15% previously awarded through Stage 2), and an increase of 3% for indirect care workers. The date of application of Stage 3 increases differs depending on the role, with indirect care workers receiving 100% of the increase from the first full pay period after 1 January 2025, and others receiving 50% from the first full pay period after 1 January 2025, and the remaining 50% from the first full pay period after 1 January 2026.

The Stage 3 increases apply to the following roles:

- Direct Care roles working in an aged care facility, including Personal Carers and Activities and Lifestyle Officers;
- Nursing Assistants covered by the Nurses Award 2020;
- Certain Personal Care roles working in the community; and
- Indirect care roles working in an aged care facility, including Administration, Maintenance and Gardening.

The Federal Government has committed to funding these increases. In addition to the Work Value Case increases, the Fair Work Commission has decided to increase award rates of pay by 3.75% from the first full pay period after 30 June 2024 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 Company's annual and long service leave valuation models at 30 June 2024 (see Note E1).

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

B Our Performance

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

B1 Revenue and other income

	2024	2023
	\$'000	\$'000
Revenue from contracts with clients		
Aged care and community services	100,678	79,732
Daily accommodation payments (DAP)	5,786	5,150
National Disability Insurance Scheme (NDIS) services	544	2,415
Total revenue from contracts with clients	107,008	87,297
Other income		
Other not-for-profit income		
Capital grants	6,870	14,388
Fundraising and donations	26	41
Lessor income		
Lessor income	254	149
Other income		
Other income	824	274
Interest income		
Imputed DAP revenue on RAD and bond balances under AASB 16	358	318
Other interest	1,991	942
Total other income	10,323	16,112

Accounting judgements, estimates and assumptions

Imputed DAP revenue on RAD balances	The Company has determined the use of the Maximum Permissible Interest Rate (MPIR) prevailing at the date of admission as the interest rate to be used in the calculation of the imputed DAP revenue on RAD balances. The MPIR is a rate set by the Government and is used to calculate the DAP to applicable residents.
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Material 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 Company 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 Company 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 of Not-for-Profit Entities (AASB 1058), whereby revenue is recognised upon receipt, except for certain capital grants noted below.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

B1 Revenue and other income (continued)

Material 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
Aged care and community services	This revenue stream includes revenue derived from Home Care Packages (HCP), Commonwealth Home Support Programme (CHSP), residential funding under Australian National Aged Care Classification (AN-ACC), basic daily fees, aged care supplements and client fees for services relating to aged care and community services. 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. Revenue is recognised over time when the services are performed and delivered.
Grant funded programs	Grants are received for the funding of aged care and community services programs. Where these specify certain specific performance obligations, the Company recognises revenue from services over time as performance obligations are satisfied. Such services are primarily provided on a daily or monthly basis. Any unused funds are to be returned to the funder unless otherwise agreed and associated grant funding liability is recognised (see Note C1.5). 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 bi-annually in advance or in arrears.
NDIS services	The Company provides services to clients under the National Disability Insurance Scheme (NDIS) as identified in individual contracts. After the provision of the agreed services, the Company may submit a claim through the National Disability Insurance Agency (NDIA) or invoice a client directly for the recoupment of revenue for the service. The Company 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. There are no related unused funds as claims or invoices for payment are submitted after services are provided.
Daily Accommodation Payments (DAP)	The Company has assessed its resident agreements relating to residential aged care accommodation arrangements to be leases under AASB 16 Leases (AASB 16) due to the security of tenure that these offer to its residents. 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.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

B1 Revenue and other income (continued)

Material accounting policies (continued)

(b) Other not-for profit income

The Company 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 Company to further its objectives. This includes the following:

(i) Capital grants

For capital grants received under an enforceable agreement where it includes a transfer to enable the Company to acquire or construct a recognisable non-financial asset to identified specifications which will be controlled by the Company when completed, the Company recognises a liability for the excess of the fair value of the transfer over any related amounts recognised, and recognises income as it satisfies its obligations under the transfer (see Note C1.5).

As the capital grants received by the Company are primarily for the construction of buildings, the Company recognises income as the buildings are constructed (when it satisfies its obligations).

(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.

(c) Lessor income

Lessor income includes lease payments from operating leases recognised on a straight-line basis over the lease term in accordance with AASB 16.

(d) 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.

(e) Imputed DAP revenue on RAD and bond balances

Accommodation services provided to residents who have chosen to pay a RAD or accommodation bond are accounted for as a lease under AASB 16. The Company has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement. The accounting treatment results in a non-cash increase in revenue for accommodation and a non-cash increase in finance costs on the outstanding RAD and accommodation bond balance, with no net impact on profit and loss for the year. See Note B2 for imputed interest expense on RAD and bond balances.

(f) Unrecognised revenue

(i) Volunteer services

The Company regularly receives volunteer services as part of its operations. Under AASB 1058, private sector not-for-profit entities have a policy option to account for donated services at fair value if the fair value can be reliably measured. The Company has elected not to recognise the receipt of volunteer services as revenue as the fair value cannot be measured reliably.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

B2 Expenses

	2024	2023
	\$'000	\$'000
Supplies and services expenses		
Resident services and supplies	5,902	5,315
Cleaning and housekeeping	825	844
Other supplies and services	706	613
Total supplies and services expenses	7,433	6,772
Property expenses		
Repairs and maintenance expense	3,582	3,642
Communications and utilities expense	1,974	1,706
Motor vehicle expense	1,047	1,083
Rental expense	1,491	1,031
Rates and taxes	597	404
Other property expense	401	358
Property insurance	574	459
Total property expenses	9,666	8,683
Other expenses		
Administrative and other expenses	4,671	3,883
Consulting and professional fees	736	774
Business expenses	2,040	2,280
Total other expenses	7,447	6,937
Finance costs		
Interest expense	27	29
Imputed interest expense on RAD and bond balances under AASB 16	358	318
Interest expense on leases under AASB 16	217	60
Bank charges and fees	10	8
Total finance costs	612	415

¹ See Note B1 for accounting policy information relating to imputed interest expense on RAD and bond balances under AASB 16.

The Company'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 residents;
- Property expenses comprise all costs associated with the ownership and maintenance of the Company's property, plant and equipment;
- Other expenses include external consulting and professional fees and general business and administrative expenses; and
- Finance costs comprise interest expense on lease liabilities recognised using the effective interest method, imputed interest expense on RAD and bond balances under AASB 16, and bank fees.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

B3 Cash and cash equivalents

	2024	2023
	\$'000	\$'000
Cash on hand	-	4
Cash at bank	31,400	26,023
Deposits – other	35,000	25,000
Total cash and cash equivalents	66,400	51,027

Certain balances are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements: 2024: \$1,083,000 (2023: \$955,000). These balances are included in total cash and cash equivalents. 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".

Material accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents comprise any cash balances, short term bills and call deposits that are readily convertible to cash. Cash and cash equivalents are carried at the face value of the amounts deposited. For the purposes of the statement of cash flows, cash and cash equivalents are as defined above.

Reconciliation of surplus to net cash flow from operating activities

	2024	2023
	\$'000	\$'000
Surplus for the year	3,968	8,871
Depreciation and amortisation expense	6,519	4,797
Capital grants from government	(6,870)	(14,388)
Non-cash transactions included in the surplus for the year	1	22
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(479)	(24)
(Increase) in other current assets	(19)	(976)
(Decrease) in trade and other payables	(557)	(2,311)
Increase in employee benefits and other provisions	1,556	330
Increase in other liabilities	7,290	774
Net cash inflow/(outflow) from operating activities	11,409	(2,905)

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

C Our Operating Base

This section provides further insight into the Company's operating asset base used to support the provision of aged care services. This section includes working capital, property, plant and equipment, right of use assets, and intangible assets. Working capital includes trade and other receivables, other assets, trade and other payables, refundable accommodation deposits and other liabilities.

C1 Working capital

C1.1 Trade and other receivables

	2024 \$'000	2023 \$'000
Trade receivables	4,027	2,665
Loss allowance	(2,471)	(1,190)
Total trade and other receivables	1,556	1,475

	Current - 90 days past due \$'000	90+ days past due \$'000
30 June 2024		
Gross carrying amount - trade receivables	1,218	2,809
Loss allowance	(667)	(1,804)
	551	1,005
30 June 2023		
Gross carrying amount - trade receivables	766	1,899
Loss allowance	(290)	(900)
	476	999

Trade receivables represent mainly co-contributions for community aged care packages, residential aged care daily fees, interest on late payment of bonds and miscellaneous care services to residential and community clients.

The nature of the trade receivables profile is that there is no concentration of credit risk with any single client.

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

	2024 \$'000	2023 \$'000
Opening loss allowance at the start of the year	1,190	1,079
Increase in loss allowance recognised in profit or loss during the year	1,400	687
Receivables written off during the year as uncollectible	(119)	(576)
Closing loss allowance at the end of year	2,471	1,190

Accounting judgements, estimates and assumptions

Expected credit losses on trade receivables	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 2024 and 30 June 2023 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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Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

C1 Working capital (continued)

C1.1 Trade and other receivables (continued)

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

C1.2 Other assets

	2024	2023
	\$'000	\$'000
Current		
Prepayments	540	427
Accrued income	985	1,115
Other current assets	1,003	969
Total other current assets	2,528	2,511

C1.3 Trade and other payables

	2024	2023
	\$'000	\$'000
Current		
Trade payables	3,679	3,802
Sundry payables and accrued expenses	2,316	2,112
GST payable	977	1,607
Total current trade and other payables	6,972	7,521

The Company 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.

C1.4 Refundable accommodation deposits

	2024	2023
	\$'000	\$'000
Refundable accommodation deposits - aged care facilities		
Expected to be paid within 12 months	2,148	1,961
Not expected to be paid within 12 months	3,587	4,856
Total refundable accommodation deposits	5,735	6,817

Refundable accommodation deposits (RADs) are held in respect of clients in residential aged care facilities.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

C1 Working capital (continued)

C1.4 Refundable accommodation deposits (continued)

Accounting judgements, estimates and assumptions

Refundable accommodation deposits	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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Material accounting policies

(a) RADs

RADs are repayable on demand and are classified as current liabilities because the Company does not have an unconditional right to defer settlement of any specific balance for at least 12 months after the reporting date. This classification does not reflect the expected annual net movement of cash received from the receipt and refund of accommodation balances over the normal course of business.

RADs are recorded at the amount initially received less any retention the Company is allowed to deduct in accordance with the relevant legislation and resident agreement. Retentions may take the form of DAPs, interest on unpaid amounts, additional service fees, and any other fees drawn from the RAD balances, and are not discounted. DAPs are accounted for under AASB 16 (see Note B1).

Interest is payable to residents on RADs from the date of the resident's death or departure to the date of repayment. Interest is charged on RADs and fees that are received after their due date.

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

C1.5 Other liabilities

	2024	2023
	\$'000	\$'000
Current		
Construction obligation liability	28,606	18,523
Grant funding liability	8,781	1,508
Contract liabilities	523	680
Unearned income	-	256
Other current liabilities	828	811
Total other current liabilities	38,738	21,778

Material accounting policies

(a) Construction obligation

A construction obligation is recognised for capital grants received for which there is an unfulfilled construction obligation (see Note B1).

(b) 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 or returned to the funder unless otherwise agreed (see Note B1).

(c) 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 (see Note B1).

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

C2 Property plant and equipment

	Work in progress	Land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
2024				
Cost	5,920	93,097	26,800	125,817
Accumulated depreciation	-	(14,971)	(12,678)	(27,649)
Carrying amount at 30 June 2024	5,920	78,126	14,122	98,168
Carrying amount at 1 July 2023	388	80,163	12,069	92,620
Additions	7,336	2,608	1,455	11,399
Disposals	(53)	(27)	(102)	(182)
Transfers: from work in progress	(1,751)	1,751	-	-
Transfers: between asset classes	-	(3,094)	3,094	-
Depreciation expense	-	(3,275)	(2,394)	(5,669)
Carrying amount at 30 June 2024	5,920	78,126	14,122	98,168
2023				
Cost	388	91,872	22,686	114,946
Accumulated depreciation	-	(11,709)	(10,617)	(22,326)
Carrying amount at 30 June 2023	388	80,163	12,069	92,620
Carrying amount at 1 July 2022	23,419	38,922	12,630	74,971
Additions	14,941	5,769	1,280	21,990
Transfers: from work in progress	(37,972)	37,972	-	-
Depreciation expense	-	(2,500)	(1,841)	(4,341)
Carrying amount at 30 June 2023	388	80,163	12,069	92,620

Certain transfers out of work in progress have been recognised as additions to intangible assets in Note C4.

Contractual commitments for the acquisition of property plant and equipment are disclosed at Note C2.1.

Accounting judgements, estimates and assumptions

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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Material 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 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

C2 Property, plant and equipment (continued)

Material accounting policies (continued)

(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 Company.

(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 statement of profit or loss and other comprehensive income. Land is not depreciated.

The depreciation expense is recognised in 'depreciation and amortisation expenses' in the statement of profit or loss and other comprehensive income.

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 25 years
- Motor vehicles (included in plant and equipment)	5 to 10 years

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 Company 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 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 Commitments for capital expenditure

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

	2024 \$'000	2023 \$'000
Not later than 1 year		
Buildings	5,651	4,275
Total commitments for expenditure	5,651	4,275

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

C3 Right of use assets

	Land and buildings	Motor vehicles	Total
	\$'000	\$'000	\$'000
2024			
Cost	3,978	1,583	5,561
Accumulated depreciation	(1,405)	(660)	(2,065)
Carrying amount at 30 June 2024	2,573	923	3,496
Carrying amount at 1 July 2023	856	402	1,258
Additions	1,101	886	1,987
Lease modifications	1,095	-	1,095
Depreciation expense	(479)	(365)	(844)
Carrying amount at 30 June 2024	2,573	923	3,496
2023			
Cost	1,878	805	2,683
Accumulated depreciation	(1,022)	(403)	(1,425)
Carrying amount at 30 June 2023	856	402	1,258
Carrying amount at 1 July 2022	1,054	346	1,400
Additions	28	253	281
Depreciation expense	(226)	(197)	(423)
Carrying amount at 30 June 2023	856	402	1,258

During the year the Company implemented a property lease system that has enabled management to more accurately measure its right of use assets and lease liabilities, in particular those leases that contain an option to extend the lease term where it is reasonably certain to be exercised.

Right of use assets pledged as security

Motor vehicle right of use assets with a carrying amount value of \$923,000 (2023: \$402,000) are pledged as security under the terms of the lease (see Note D1).

Material accounting policies

(a) Recognition and measurement

The Company recognises right of use assets at the commencement date of the lease which is when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised (see Note D1), initial direct costs incurred (if any), and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to be able to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight line basis over the shorter of the estimated useful life of the assets and the lease term. The depreciation expense is recognised in 'depreciation and amortisation expenses' in the statement of profit or loss and other comprehensive income. Right of use assets are subject to impairment testing.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

C4 Intangible assets

	2024	2023
	\$'000	\$'000
Computer software		
Cost	1,465	1,455
Accumulated amortisation	(1,454)	(1,447)
Carrying amount at the end of the year	11	8
Computer software		
Carrying amount at start of the year	8	41
Additions	9	-
Amortisation expense	(6)	(33)
Carrying amount at end of the year	11	8

The Company has intangible assets in the form of residential aged care places which are a right to operate a bed. They are issued by the Federal Government free of charge and have no fixed period once operational. The Company 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.

Accounting judgements, estimates and assumptions

Determination whether configuration and customisation services are distinct from software-as-a-service access	Implementation costs including costs to configure or customise the cloud provider's application software are recognised when the services are received. 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. 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.
Capitalisation of configuration and customisation costs in software-as-a-service arrangements	In implementing SaaS arrangements, the Company 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. 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>.

Material accounting policies

(a) Recognition and measurement

Expenditure on research activities is recognised in the statement of profit or 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 Company intends to and has sufficient resources to complete development to be able to use or sell the asset. Otherwise, it is recognised in the statement of profit or loss and other comprehensive income as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

C4 Intangible assets (continued)

Material accounting policies (continued)

(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 statement of profit or 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 generally recognised in the statement of profit or loss and other comprehensive income. The amortisation expense is recognised in 'depreciation and amortisation expenses' in the statement of profit or loss and other comprehensive income.

The estimated useful life for software development costs is 3 to 5 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 Company does not have intangibles with indefinite lives.

(e) Software-as-a-service arrangements

Software-as-a-service (SaaS) arrangements are service contracts providing the Company 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

D Financial Instruments

This section provides information on Company objectives when managing capital. The Company's objectives are to safeguard the Company'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 Company operations, it is also exposed to a number of market risks; this section outlines how these key risks are managed.

D1 Lease liabilities

	2024 \$'000	2023 \$'000
Current		
Lease liabilities	747	456
Total current lease liabilities	747	456
Non-current		
Lease liabilities	2,034	353
Total non-current lease liabilities	2,034	353
Interest expense (included in finance costs)	217	60
Expense relating to short term leases (included in property expenses)	1,021	1,130

Total cash outflows for leases (excluding short-term leases) for the year ended 30 June 2024 was \$879,000 (2023: \$385,000).

Accounting judgements, estimates and assumptions

Lease term and option renewals	The lease term is determined to be the non-cancellable term of a lease, together with any periods covered by an option to extend if it is reasonably certain to be exercised. Where the Company has the option to extend a lease for additional terms, judgement is applied in evaluating whether it is reasonably certain to exercise the option to renew, taking into account relevant factors that create an economic incentive to exercise the renewal option. After commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.
Incremental borrowing rates	Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to calculate the present value of future lease payments. The Company estimates the IBR using market interest rates and adjusts these rates to include the effect of its own stand-alone credit rating.

Material accounting policies

(a) Identification of lease

At inception of a contract, the Company 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.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Australian Regional and Remote Community Services Limited
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D1 Lease liabilities (continued)

Material accounting policies (continued)

(b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments to be made over the lease term that have not paid at the commencement date, discounted using the Company's incremental borrowing rate (IBR) if the interest rate implicit in the lease cannot be determined. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

After commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in consolidated statement of profit and loss and other comprehensive income if the carrying amount of the right of use 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.

(c) Concessionary leases

The Company has applied the option to measure these leases at cost in accordance with AASB 16 and expenses them on a straight-line basis when incurred.

(d) Lessor accounting

When the Company 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 Company 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 Company applies AASB 15 to allocate the consideration in the contract.

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

Significant leasing arrangements

The Company leases various properties 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 Company has 1 (2023: 1) below market lease accounting for 1% (2023: 1.3%) of the total number of property leases. The Company is dependent on this lease to further its objectives as it utilises the land to run its operations and deliver its services. The Company is restricted on the use of the land subject to this lease as agreed with the respective lessor being the Northern Territory Government.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2024

D1 Lease liabilities (continued)

Concessionary leases (continued)

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

Category	Source	Company Objectives	Lease term	Ave payment p.a. (\$)
Aged care	Northern Territory Government	Regional and remote high care	34 to 34 years	1
1: land			Average of 34 years	

D1.1 Future minimum lease payments

The future minimum lease payments arising under the Company's lease contracts at the end of the reporting period are as follows:

	2024 \$'000	2023 \$'000
Not more than one year	841	604
Later than one year and not later than five years	2,002	883
Later than five years	187	207
Total future minimum lease payments	3,030	1,694

D2 Financial assets and liabilities

The Company's financial assets are comprised of trade and other receivables (see Note C1.1). Financial liabilities include lease liabilities (see Note D1) and refundable accommodation deposits (see Note C1.4).

D2.1 Movement in liabilities from financing activities

The table below details changes in the Company'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 Company's statement of cash flows as cash flows from financing activities. Cash flows presented below exclude interest.

	1 July 2023 \$'000	Cash flows \$'000	New leases \$'000	Other \$'000	30 June 2024 \$'000
Lease liabilities	809	(681)	1,791	862	2,781
RADs and accommodation bonds	6,817	(1,082)	-	-	5,735
Total liabilities from financing activities	7,626	(1,763)	1,791	862	8,516

	1 July 2022 \$'000	Cash flows \$'000	New leases \$'000	Other \$'000	30 June 2023 \$'000
Lease liabilities	885	(385)	287	22	809
RADs and accommodation bonds	5,863	954	-	-	6,817
Total liabilities from financing activities	6,748	569	287	22	7,626

Other changes for lease liabilities relate primarily to lease modifications, including changes to future lease payments resulting from a reassessment of the likelihood of exercising option renewals, or a change in an index or rate used to determine those payments, such as a change to reflect market rental rates following a market rent review.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

D3 Financial risk management objectives

The Company'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 Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Company'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 Company deposits funds with the ANZ and NAB. Risk management is carried out under policies approved the Company's Board.

D3.1 Capital risk management

The Company manages capital to ensure that the organisation will be able to continue as a going concern while maximising the return through optimisation of the funds balance. The capital structure consists of RADs (see Note C1.4) and cash and cash equivalents (see Note B3). Operating cash flows are used to maintain and expand the Company's assets.

(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 Company. 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. The Company has significant interest-bearing assets and therefore the income and operating cash flows are materially exposed to changes in market interest rates. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

(c) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Responsibility for liquidity risk management rests with the Board, who regularly monitor the Company's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining sufficient cash and cash equivalents and ensuring the availability of funding through an adequate amount of committed credit facilities.

The following table details the contractual maturity for the Company'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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Notes to the financial statements
For the year ended 30 June 2024

D3 Financial risk management objectives (continued)

D3.1 Capital risk management (continued)

	Effective	MATURING (Years)			
	Interest Rate	< 1	1 to 2	> 2	Total
	%	\$'000	\$'000	\$'000	\$'000
30 June 2024					
ASSETS					
<i>Non-interest bearing:</i>					
Trade and other receivables	-	1,556	-	-	1,556
<i>Floating interest rate:</i>					
Cash and cash equivalents	4.56	66,400	-	-	66,400
Total financial assets		67,956	-	-	67,956
LIABILITIES					
<i>Non-interest bearing:</i>					
RADs	-	5,735	-	-	5,735
Trade and other payables	-	6,972	-	-	6,972
Other liabilities	-	38,738	-	-	38,738
<i>Fixed interest rate:</i>					
Lease liabilities	5.69	747	475	1,559	2,781
Total financial liabilities		52,192	475	1,559	54,226
30 June 2023					
ASSETS					
<i>Non-interest bearing:</i>					
Cash and cash equivalents	-	4	-	-	4
Trade and other receivables	-	1,475	-	-	1,475
<i>Floating interest rate:</i>					
Cash and cash equivalents	3.08	51,023	-	-	51,023
Total financial assets		52,502	-	-	52,502
LIABILITIES					
<i>Non-interest bearing:</i>					
RADs	-	6,817	-	-	6,817
Trade and other payables	-	7,521	-	-	7,521
Other liabilities	-	21,522	-	-	21,522
<i>Fixed interest rate:</i>					
Lease liabilities	4.28	456	168	185	809
Total financial liabilities		36,316	168	185	36,669

Australian Regional and Remote Community Services Limited

Notes to the financial statements

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E Our People

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

E1 Employee benefits

	2024	2023
	\$'000	\$'000
Current		
Annual leave	5,120	4,031
Long service leave	1,567	1,336
Total current employee benefits	6,687	5,367
Non-current		
Long service leave	960	724
Total non-current employee benefits	960	724

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 Company 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.

The Company 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 \$3,433,000 (2023: \$2,859,000).

Accounting judgements, estimates and assumptions

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.
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Material 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 Company 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 Company 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).

(b) Other long-term employee benefits

The Company'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 statement of profit or loss and other comprehensive income in the period in which they arise.

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E2 Key management personnel compensation

In addition to their salaries, the Company 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 statement of profit or loss and other comprehensive income are as follows:

	2024	2023
	\$'000	\$'000
Short-term employee benefits	513	426
Post-employment benefits	40	33
Total key management personnel compensation	553	459

No transactions other than those disclosed above were made with key management personnel (2023: Nil).

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F Other Disclosures

F1 New and amended standards adopted

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for accounting periods beginning on or after 1 July 2023. These are as follows:

- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- *AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*

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

F2 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 Company in the current or future reporting periods and on foreseeable future transactions.

(a) AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

This Standard clarifies when liabilities should be presented as current or non-current in the statement of financial position, including the impact of covenants on that classification. It is effective for annual reporting periods beginning on or after 1 January 2024.

The Company does not currently have financial liabilities that are subject to covenants. The Company will apply the requirements if it is subject to financial liabilities with covenants in the future.

(b) AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

This Standard requires a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retains. It is effective for annual reporting periods beginning on or after 1 January 2024.

The Company does not currently have sale and leaseback arrangements. The Company will apply the requirements of the amendment if sale and leaseback arrangements are entered into in the future.

(c) AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements

This Standard requires the disclosure of information about an entity's supplier finance arrangements. It is effective for annual reporting periods beginning on or after 1 January 2024.

The Company does not currently have supplier finance arrangements. The Company will apply the additional disclosures in the financial statements if supplier finance arrangements are entered into in the future.

(d) AASB 18 Presentation and Disclosure in Financial Statements

This Standard will not change the recognition and measurement of items in the financial statements, but will affect presentation and disclosure in the financial statements, including introducing new categories and subtotals in the statement of profit or loss, requiring the disclosure of management-defined performance measures, and changing the grouping of information in the financial statements. It is effective for annual reporting periods beginning on or after 1 January 2027.

The Company is currently investigating the impact of this amendment.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

F3 Auditor's remuneration

	2024	2023
	\$	\$
Audit fees	114,975	109,500
Total auditor's remuneration	114,975	109,500

The auditor for the Company is Deloitte Touch Tohmatsu. 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 2024 is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*.

F4 Related party disclosures

F4.1 Transactions and balances with related parties

The Company is part of the Uniting Church in Australia – Queensland Synod and has a related party relationship with various agencies and departments of The Uniting Church in Australia Property Trust (Q.), which includes the Department of Finance and Property Services, Uniting Church Investment Services, Uniting Church Insurance and UnitingCare Queensland.

Related party transactions occur between the Company and the Queensland Synod Office, UnitingCare Queensland and Blue Care. The Company is the legal entity under which all activities of ARRCs are conducted. Certain transactions require the delegated authority of UnitingCare Queensland to be completed (that is, land purchase and sales). The Company has an arm's length Service Level Agreement in place with UnitingCare Queensland for advisory and corporate services provided to the Company. Insurance services are also provided through The Uniting Church in Australia – Queensland Synod.

Transactions with related parties are on terms and conditions no more favourable than those available to other persons or entities unless otherwise stated.

The following transactions and balances occurred with related parties:

	2024	2023
(a) Transactions with related parties		
Uniting Church in Australia – Queensland Synod	\$'000	\$'000
Insurance premiums expense	(512)	(419)
UnitingCare Queensland		
Service Level Agreement management fee	(2,972)	(3,032)
(b) Balances with related parties		
Uniting Church in Australia – Queensland Synod		
Net receivables owed	10	-
Uniting Church Investment Services		
Cash on deposit at the end of the year	104	47
UnitingCare Queensland		
Net payables owing	(224)	(224)
Blue Care		
Net payables owing	(23)	(42)

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

F5 Contingent liabilities

National Redress Scheme

Periodically, the Company is notified of claims from previous and/or current people who have received services from the Company, the Uniting Church or its predecessor Denominations. As relevant, the Company and the Uniting Church meet with claimants, and any payments made to claimants prior to establishment of the Company are paid by the Church and / or its insurers and not by the Company.

Capital Funding Grants

The Company has received capital funding grants from the Commonwealth Government. Funding received may be repayable in circumstances where the asset is sold or it ceases to be used for its funded purposes, depending on the specific contractual obligations of each contract. The estimated contingent liability at 30 June 2024 is \$67,975,000 (2023: \$53,797,000). The Company is also aware of capital funding grants provided by the Commonwealth Government to agencies previously responsible for the delivery of residential care services.

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

F6 Events after the reporting period

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

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

F7 ACNC Disclosure

As per section A1, the Australian Regional and Remote Community Services_ACNC Group includes the following entities:

- Australian Regional and Remote Community Services Limited; and
- Regional and Remote Indigenous Services Trust.

A reconciliation is included below, with any reclassifications required to comply with ACNC disclosure requirements:

	ARRCS ACNC reporting Group \$'000
Statement of profit or loss and other comprehensive income	
Revenue	
Revenue from Government (including grants)	101,462
Donations and bequests	26
Revenue from providing goods or services	12,416
Revenue from investments	2,349
Other revenue	1,078
Total revenue	117,331
Other income	-
Total gross income	117,331
Expenses	
Employee expenses	(63,562)
Interest expenses	(602)
Other expenses	(49,199)
Total expenses	(113,363)
Net surplus	3,968
Other comprehensive income	-
Total comprehensive income	3,968
Statement of financial position	
Assets	
Total current assets	70,484
Total non-current assets	101,675
Total assets	172,159
Liabilities	
Total current liabilities	59,074
Total non-current liabilities	3,473
Total liabilities	62,547
Net assets	109,612

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2024

F7 ACNC Disclosure (continued)

F7.1 Revenue and other income from government

The ARRCS ACNC reporting group receives significant funding from government departments and agencies to enable its continued operations. The following table outlines the largest sources of revenue and other income (including grants) received from the respective level of government department or agency.

	2024
Commonwealth Government	\$'000
Department of Health and Aged Care	99,804
National Disability Insurance Agency	544
National Indigenous Australians Agency	488
Department of Education and Training	381
Department of Veteran Affairs	99
Department of Employment and Workplace Relations	17
Total income from Commonwealth Government	101,333
Territory Government	
Northern Territory Health	129
Total income from Territory Government	129
Other departments and agencies	-

F7.2 Related party transactions

For the purpose of the ARRCS 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 Reporting Group; and
- Other:
 - Trade payables owing to a related party;
 - Trade receivables owed from a related party.

Declaration by the Board of Australian Regional and Remote Community Services Limited

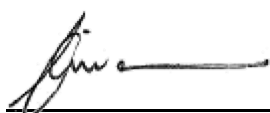
30 June 2024

The Board of Australian Regional and Remote Community Services Limited declares that:

- (a) the financial statements and notes set out on pages 1 to 32:
 - 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 Australian Regional and Remote Community Services Limited as at 30 June 2024 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 Australian Regional and Remote Community Services Limited 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 18 September 2024



Bryan Wyborn, Chair
Australian Regional and Remote
Community Services Limited Board



Geoff Batkin, Chair
Australian Regional and Remote
Community Services Limited, Audit
Risk and Compliance Committee

18 September 2024

Brian Wyborn
Chair, Board
Australian Regional & Remote Community Services Limited
Level 5, 192 Ann Street
Brisbane Qld 4000
Australia

Dear Brian,

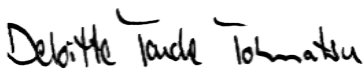
Auditor's Independence Declaration to Australian Regional & Remote Community Services Limited

In accordance with section 60-40 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 Australian Regional & Remote Community Services Limited.

As lead audit partner for the audit of the financial report of Australian Regional & Remote Community Services Limited for the financial year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



R G Saayman
Partner
Chartered Accountants

Independent Auditor's Report to the Board of Australian Regional & Remote Community Services Limited

Opinion

We have audited the financial report of Australian Regional & Remote Community Services (the "Entity") which comprises the entities statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Board of the Australian Regional & Remote Community Services Limited (the "Board"), as set out on pages 1 to 33.

In our opinion, the accompanying financial report of the Entity 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 Entity's financial position as at 30 June 2024 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 2022*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity 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 Entity are 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 the Entity 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 Entity 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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



R G Saayman

Partner

Chartered Accountants

Brisbane, 18 September 2024



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