



Contents

30 June 2023

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Australian Regional and Remote Community Services Limited
ABN 88 167 926 132

Registered office

The registered office of Australian Regional and Remote Community Services Limited is:
Level 5
192 Ann Street
Brisbane Qld 4000

The principal office of Australian Regional and Remote Community Services Limited is Level 5, 192 Ann Street, Brisbane, Qld 4000.

Australian Regional and Remote Community Services Limited
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 | 87,297 | 69,077 |
| Other income | B1 | 15,794 | 17,063 |
| Total revenue | | 103,091 | 86,140 |
| Expenses | | | |
| Salaries and employee expenses | | (66,934) | (52,495) |
| Supplies and services expenses | B2 | (6,772) | (6,065) |
| Depreciation and amortisation expenses | | (4,797) | (3,886) |
| Property expenses | B2 | (8,683) | (7,198) |
| Other expenses | B2 | (6,937) | (4,795) |
| Finance costs | B2 | (97) | (67) |
| Total expenses | | (94,220) | (74,506) |
| Surplus for the year | | 8,871 | 11,634 |
| Total comprehensive income for the year | | 8,871 | 11,634 |

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 2023

| | | 2023 | 2022 |
|--------------------------------------|-------------|----------------|----------------|
| | Note | \$'000 | \$'000 |
| Current assets | | | |
| Cash and cash equivalents | B3 | 51,027 | 59,315 |
| Trade and other receivables | C1.1 | 1,475 | 1,451 |
| Other assets | C1.2 | 2,511 | 1,536 |
| Total current assets | | 55,013 | 62,302 |
| Non-current assets | | | |
| Property plant and equipment | C2 | 93,878 | 76,371 |
| Intangible assets | C3 | 8 | 41 |
| Total non-current assets | | 93,886 | 76,412 |
| TOTAL ASSETS | | 148,899 | 138,714 |
| Current liabilities | | | |
| Trade and other payables | C1.3 | 7,521 | 9,833 |
| Refundable accommodation deposits | C1.4 | 6,817 | 5,863 |
| Lease liabilities | C2.1 | 456 | 299 |
| Employee benefits | E1 | 5,367 | 4,834 |
| Other liabilities | C1.5 | 21,778 | 19,804 |
| Total current liabilities | | 41,939 | 40,633 |
| Non-current liabilities | | | |
| Lease liabilities | C2.1 | 353 | 586 |
| Employee benefits | E1 | 724 | 448 |
| Other provisions | | 239 | 274 |
| Total non-current liabilities | | 1,316 | 1,308 |
| TOTAL LIABILITIES | | 43,255 | 41,941 |
| NET ASSETS | | 105,644 | 96,773 |
| Equity | | | |
| Accumulated funds | | 105,644 | 96,773 |
| TOTAL EQUITY | | 105,644 | 96,773 |

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 2023

| | Accumulated funds \$'000 |
|--------------------------------|---|
| Balance at 1 July 2021 | 85,139 |
| Surplus for the year | 11,634 |
| Balance at 30 June 2022 | 96,773 |
| Balance at 1 July 2022 | 96,773 |
| Surplus for the year | 8,871 |
| Balance at 30 June 2023 | 105,644 |

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 2023

| | | 2023 | 2022 |
|--|------|----------------|-----------------|
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Receipts from clients, funding and others | | 88,794 | 69,792 |
| Payments to suppliers and employees | | (92,552) | (71,459) |
| Interest received | | 942 | 268 |
| Interest paid | | (89) | (59) |
| Net cash (outflow) from operating activities | B3 | (2,905) | (1,458) |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 37 |
| Payments for property, plant and equipment | | (21,982) | (23,429) |
| Payments for intangible assets | | - | 40 |
| Proceeds from capital grants | | 16,030 | 11,000 |
| Net cash (outflow) from investing activities | | (5,952) | (12,352) |
| Cash flows from financing activities | | | |
| Net proceeds from refundable accommodation deposits | D1.1 | 954 | (414) |
| Repayment of lease liabilities | D1.1 | (385) | (426) |
| Net cash inflow/(outflow) from financing activities | | 569 | (840) |
| Net (decrease) in cash and cash equivalents | | (8,288) | (14,650) |
| Cash and cash equivalents at beginning of year | | 59,315 | 73,965 |
| Cash and cash equivalents at end of year | B3 | 51,027 | 59,315 |

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 2023

A About us

A1 Our Organisation

Australian Regional and Remote Community Services Limited ('ARRCS' or 'the Company') is a public company incorporated in Australia 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 under NAPS ID 6871 and community services in the Northern Territory.

ARRCS is domiciled in Australia.

A2 Our Financial Statements – basis of preparation

A2.1 Statement of Compliance

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

The financial statements were authorised for issue by the Board of Directors on 20 September 2023.

A2.2 Basis of Measurement

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

A2.3 Functional and Presentation Currency

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

A2.4 Use of Key Estimates and Judgements

In preparing these financial statements, the Board and management have made judgements and estimates that affect the application of the Company'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

| | |
|--|------|
| Expected credit losses | C1.1 |
| Refundable accommodation deposits (RADs) | C1.4 |
| Estimated useful life of property, plant and equipment | C2 |
| Determination whether configuration and customisation services are distinct from SaaS access | C3 |
| Capitalisation of configuration and customisation costs in SaaS arrangements | C3 |
| Annual and long service leave assumptions | E1 |

Australian Regional and Remote Community Services Limited

Notes to the 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 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 \$13,074,000 (2022: \$21,669,000).

A2.7 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 aged care program facilities by the Territory and Commonwealth Governments are subject to regular reviews and accreditation requirements.

A2.8 Impact of COVID-19 on the Company

COVID-19 has continued to impact the service delivery of the Company. This financial year, the Company's response to COVID-19 has changed. The Company'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 exacerbated by COVID-19 continued across all sites and services, in particular the Alice Springs and Central Desert facilities. This led to a significant increase in workforce costs for the Company through agency fees to meet client demand and legislative requirements, as well as additional costs in relation to recruitment and onboarding.

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 ARRCs has made a pledge that every additional dollar the Federal Government provides for this purpose will be used to pay for the increase to wages and associated on-costs. In addition to the Work Value Case increases, the Fair Work Commission has increased 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 were factored into the Company'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 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.

A2.11 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

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

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Revenue from contracts with clients | | |
| Aged care and community services | 79,732 | 62,020 |
| Daily accommodation payments (DAP) | 5,150 | 4,752 |
| National Disability Insurance Scheme (NDIS) services | 2,415 | 2,305 |
| Total revenue from contracts with clients | 87,297 | 69,077 |
| Other income | | |
| Other not-for-profit income | | |
| Capital grants | 14,388 | 16,102 |
| Fundraising and donations | 41 | 18 |
| Lessor income | | |
| Lessor income | 149 | 63 |
| Other income | | |
| Other income | 274 | 612 |
| Interest income | | |
| Other interest | 942 | 268 |
| Total other income | 15,794 | 17,063 |

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 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.

| 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> |
| Grant funded programs | <p>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.</p> <p>Any unused funds are to be returned to the funder unless otherwise agreed and associated grant funding liability is recognised</p> |

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2023

B1 Revenue and other income (continued)

Significant accounting policies (continued)

| Type of good or service | Revenue recognition policies including nature and timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| NDIS services | <p>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.</p> <p>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.</p> <p>There are no related unused funds as claims or invoices for payment are submitted after services are provided.</p> |
| Daily Accommodation Payments (DAP) | <p>The Company 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 C1.4), the Company receives a financing benefit in the form of an interest free loan. The interest expense associated within this financing benefit is not material and the Company has elected not to recognise the interest expense and corresponding income associated with the accommodation bonds.</p> |

(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

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

- ARRCs must use the financial asset to acquire or construct an identified non-financial asset;
- ARRCs 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).

Capital grants are recognised as a construction obligation liability when funding is received for the construction of an asset, and subsequently recognised progressively as revenue as the Company satisfies its obligations under the grant through construction of the asset. Refer C1.5 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 Company 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.

(iv) 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

B2 Expenses

| | 2023 | 2022 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Supplies and services expenses | | |
| Resident services and supplies | 5,315 | 4,823 |
| Cleaning and housekeeping | 844 | 606 |
| Other supplies and services | 613 | 636 |
| Total supplies and services expenses | 6,772 | 6,065 |
| Property expenses | | |
| Repairs and maintenance expense | 3,642 | 3,070 |
| Communications and utilities expense | 1,706 | 1,656 |
| Motor vehicle expense | 1,083 | 891 |
| Rental expense | 1,031 | 749 |
| Rates and taxes | 404 | 391 |
| Other property expense | 358 | 178 |
| Property insurance | 459 | 263 |
| Total property expenses | 8,683 | 7,198 |
| Other expenses | | |
| Administrative and other expenses | 3,883 | 2,269 |
| Consulting and professional fees | 774 | 838 |
| Business expenses | 2,280 | 1,688 |
| Total other expenses | 6,937 | 4,795 |
| Finance costs | | |
| Interest expense | 89 | 60 |
| Bank charges and fees | 8 | 7 |
| Total finance costs | 97 | 67 |

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 and bank fees.

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 | 4 | 17 |
| Cash at bank | 26,023 | 19,298 |
| Deposits – other | 25,000 | 40,000 |
| Total cash and cash equivalents | 51,027 | 59,315 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

B3 Cash and cash equivalents (continued)

Certain balances are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements 2023: \$955,000 (2022: \$973,000). 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".

Reconciliation of surplus to net cash flow from operating activities

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Surplus for the year | 8,871 | 11,634 |
| Depreciation and amortisation expense | 4,797 | 3,886 |
| Capital grants from government | (14,388) | (16,102) |
| Non-cash transactions included in the surplus for the year | 22 | (41) |
| Change in operating assets and liabilities: | | |
| (Increase) in trade and other receivables | (24) | (1,380) |
| (Increase)/Decrease in other current assets | (976) | 210 |
| (Decrease)/Increase in trade and other payables | (2,311) | 2,600 |
| Increase/(Decrease) in employee benefits and other provisions | 330 | (381) |
| Increase/(Decrease) in other liabilities | 774 | (1,884) |
| Net cash (outflow) from operating activities | (2,905) | (1,458) |

C Our operating base

This section provides further insight into the Company's operating asset base used to support the provision of services. This section includes working capital, property, plant and equipment 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

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Trade receivables | 2,665 | 2,530 |
| Loss allowance | (1,190) | (1,079) |
| Total trade and other receivables | 1,475 | 1,451 |

| | Current - 90 days past due \$'000 | 90+ days past due \$'000 |
|---|---|--------------------------------|
| 30 June 2023 | | |
| Gross carrying amount - trade receivables | 766 | 1,899 |
| Loss allowance | (290) | (900) |
| | 476 | 999 |
| 30 June 2022 | | |
| Gross carrying amount - trade receivables | 514 | 2,016 |
| Loss allowance | (204) | (875) |
| | 310 | 1,141 |

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 receivables profile is that there is no concentration risk with any single client.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2023

C1 Working Capital (continued)

C1.1 Trade and other receivables (continued)

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 | 1,079 | 1,788 |
| Increase/(Decrease) in loss allowance recognised in profit or loss during the year | 687 | (649) |
| Receivables written off during the year as uncollectible | (576) | (60) |
| Closing loss allowance at 30 June | 1,190 | 1,079 |

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. |
|-------------------------------|--|

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 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

| | 2023 | 2022 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Prepayments | 427 | 346 |
| Accrued income | 1,115 | 233 |
| Other current assets | 969 | 957 |
| Total other current assets | 2,511 | 1,536 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

C1 Working Capital (continued)

C1.3 Trade and other payables

| | 2023 | 2022 |
|---|--------------|--------------|
| Current | \$'000 | \$'000 |
| Trade payables | 3,802 | 4,503 |
| Sundry payables and accrued expenses | 2,112 | 4,931 |
| GST payable | 1,607 | 399 |
| Total current trade and other payables | 7,521 | 9,833 |

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

| | 2023 | 2022 |
|--|--------------|--------------|
| Refundable accommodation deposits - aged care facilities | \$'000 | \$'000 |
| Expected to be paid within 12 months | 1,961 | 1,806 |
| Not expected to be paid within 12 months | 4,856 | 4,057 |
| Total refundable accommodation deposits | 6,817 | 5,863 |

Refundable accommodation deposits (RADs) are held in respect of clients in residential aged care facilities. RADs received from residents represent deposits for which the Company does not pay interest to the resident. All are refundable in accordance with the relevant legislation and the individual resident agreement in the event the resident leaves a Company facility.

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. |
|---|--|

Significant accounting policies

RADs are repayable on demand and are classified as current liabilities. They 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 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.

C1.5 Other liabilities

| | 2023 | 2022 |
|--|---------------|---------------|
| Current | \$'000 | \$'000 |
| Construction obligation liability | 18,523 | 16,881 |
| Grant funding liability | 1,508 | 873 |
| Contract liabilities | 680 | 1,062 |
| Unearned income | 256 | 139 |
| Other current liabilities | 811 | 849 |
| Total other current liabilities | 21,778 | 19,804 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

C1 Working Capital (continued)

C1.5 Other liabilities (continued)

Significant accounting policies

(a) Construction obligation

A construction obligation is recognised for capital grants received for which there is an unfulfilled construction obligation, refer 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, refer B1, or returned to the funder unless otherwise agreed.

(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, 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 | | | | | |
| Carrying amount at 1 July 2022 | 23,419 | 38,937 | 12,630 | 1,385 | 76,371 |
| Additions | 14,941 | 5,763 | 1,280 | 287 | 22,271 |
| Transfers: from Work in Progress | (37,972) | 37,972 | - | - | - |
| Depreciation expense | - | (2,500) | (1,841) | (423) | (4,764) |
| Carrying amount at 30 June 2023 | 388 | 80,172 | 12,069 | 1,249 | 93,878 |
| 2022 | | | | | |
| Carrying amount at 1 July 2021 | 5,939 | 37,026 | 12,018 | 1,716 | 56,699 |
| Additions | 17,480 | 3,679 | 2,270 | 114 | 23,543 |
| Disposals | - | (37) | - | - | (37) |
| Depreciation expense | - | (1,731) | (1,658) | (445) | (3,834) |
| Carrying amount at 30 June 2022 | 23,419 | 38,937 | 12,630 | 1,385 | 76,371 |

Certain transfers out of work in progress have been recognised as additions to intangible assets in C3.

Assets pledged as security

Leased assets with a carrying value of \$402,000 (2022: \$346,000) have been pledged as security under the terms of the lease agreement.

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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

C2 Property, plant and equipment (continued)

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 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.

(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 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 20 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.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2023

C2 Property, plant and equipment (continued)

C2.1 Leases

| | 2023 | 2022 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Right of use (ROU) assets | | |
| Properties | 847 | 1,039 |
| Fleet | 402 | 346 |
| Total ROU assets | 1,249 | 1,385 |
| Lease liabilities | | |
| Current | (456) | (299) |
| Non-current | (353) | (586) |
| Total lease liabilities | (809) | (885) |

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

| | | |
|---|------------|------------|
| Depreciation of ROU assets | | |
| Properties | 226 | 211 |
| Fleet | 197 | 234 |
| Total depreciation of ROU assets | 423 | 445 |
| Interest expense (included in operating cost) | 60 | 45 |
| Expense relating to short-term leases (included in property expenses) | 1,130 | 701 |

Total cash outflows for leases for the year ended 30 June 2023 was \$385,000 (2022: \$426,000).

The Company leases various properties and fleet. 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 7 (2022: 7) below market leases accounting for 15.9% (2022: 15.9%) of the total number of property leases. The Company is dependent on these leases 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 these leases as agreed with the respective lessor being the Northern Territory Government.

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 | Regional and remote high care | 5 to 99 years | 1 |
| 7: land | Government | | Average of 42 years | |

Significant accounting policies

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.

(a) As a lessee

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

The Company 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

C2 Property, plant and equipment (continued)

C2.1 Leases (continued)

(a) As a lessee (continued)

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The ROU 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 Company's incremental borrowing rate. The Company 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 right-of-use asset, or is recorded in the statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents ROU assets that do not meet the definition of investment property in 'property, plant and equipment'.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the 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.

(b) Concessionary and below-market leases

The Company 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 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, then it is an operating lease.

If an arrangement contains lease and non-lease components, then 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 part of 'lessor income'.

C2.2 Commitments for expenditure

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

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Not later than 1 year | | |
| Buildings | 4,275 | 8,740 |
| Total commitments for expenditure | 4,275 | 8,740 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

C3 Intangible assets

| | 2023 | 2022 |
|---|----------|-----------|
| | \$'000 | \$'000 |
| Computer software | | |
| Cost | 1,455 | 1,455 |
| Accumulated amortisation | (1,447) | (1,414) |
| Carrying amount at the end of the year | 8 | 41 |
| Computer software | | |
| Opening balance | 41 | 133 |
| Disposals | - | (40) |
| Amortisation expense | (33) | (52) |
| Total computer software | 8 | 41 |

The Company also 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.

Key estimates and judgements

| | |
|---|---|
| Determination whether configuration and customisation services are distinct from 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 as 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 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 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> |

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2023

C3 Intangible assets (continued)

Significant 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.

(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 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) SaaS arrangements

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. 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 2023

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 Financial assets and liabilities

The Company's financial assets are comprised of trade and other receivables, refer to C1.1 for further information. Financial liabilities include lease liabilities (C2.1) and refundable accommodation deposits (C1.4).

D1.1 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 2022 | Cash flows | Other | 30 June 2023 |
|--|--------------|------------|------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Lease liabilities | 885 | (385) | 309 | 809 |
| RADs and accommodation bonds | 5,863 | 954 | - | 6,817 |
| Total liabilities from financing activities | 6,748 | 569 | 309 | 7,626 |

| | 1 July 2021 | Cash flows | Other | 30 June 2022 |
|--|--------------|--------------|-----------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Lease liabilities | 1,237 | (426) | 74 | 885 |
| RADs and accommodation bonds | 6,277 | (414) | - | 5,863 |
| Total liabilities from financing activities | 7,514 | (840) | 74 | 6,748 |

Other changes for lease liabilities relate to interest costs, which is a cash movement included in interest paid in the statement of cash flows.

D2 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.

D2.1 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 as detailed in Note C1.4 and cash and cash equivalents as detailed in 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

D2 Financial risk management objectives (continued)

D2.1 Capital risk management (continued)

(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 expected 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.

Australian Regional and Remote Community Services Limited
Notes to the financial statements
For the year ended 30 June 2023

D2 Financial risk management objectives (continued)

D2.1 Capital risk management (continued)

| | Effective Interest Rate % | MATURING (Years) | | | Total \$'000 |
|------------------------------------|---------------------------------|------------------|------------------|---------------|-----------------|
| | | < 1 \$'000 | 1 to 2 \$'000 | > 2 \$'000 | |
| 30 June 2023 | | | | | |
| ASSETS | | | | | |
| <i>Non-interest bearing:</i> | | | | | |
| Cash and cash equivalents | - | 4 | - | - | 4 |
| 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 |
| 30 June 2022 | | | | | |
| ASSETS | | | | | |
| <i>Non-interest bearing:</i> | | | | | |
| Cash and cash equivalents | - | 990 | - | - | 990 |
| Receivables | - | 1,451 | - | - | 1,451 |
| <i>Floating interest rate:</i> | | | | | |
| Cash and cash equivalents | 0.38 | 58,325 | - | - | 58,325 |
| Total financial assets | | 60,766 | - | - | 60,766 |
| LIABILITIES | | | | | |
| <i>Non-interest bearing:</i> | | | | | |
| RADs | - | 5,863 | - | - | 5,863 |
| Trade and other payables | - | 9,833 | - | - | 9,833 |
| Other liabilities | - | 19,665 | - | - | 19,665 |
| <i>Fixed interest rate:</i> | | | | | |
| Lease liabilities | 4.14 | 299 | 288 | 298 | 885 |
| Total financial liabilities | | 35,660 | 288 | 298 | 36,246 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

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

| | 2023 | 2022 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Liability for annual leave | 4,031 | 3,524 |
| Liability for long service leave | 1,336 | 1,310 |
| Total current employee benefits | 5,367 | 4,834 |
| Non-current | | |
| Liability for long service leave | 724 | 448 |
| Total non-current employee benefits | 724 | 448 |

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 \$2,859,000 (2022: \$1,100,000). 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. |
|--|--|

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 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.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

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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:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Short-term employee benefits | 426 | 375 |
| Post-employment benefits | 33 | 29 |
| Total key management personnel compensation | 459 | 404 |

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

F Other Disclosures

F1 New and amended standards adopted

A number of standards became effective for the Company 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 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 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 companies 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 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 2023

F2 Standards and Interpretations in issue but not yet adopted (continued)

(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 Company 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.

The standard is not expected to have a significant impact on the Company's financial statements.

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

F3 Auditor's remuneration

| | 2023 | 2022 |
|-------------------------------------|----------------|---------------|
| | \$ | \$ |
| Audit fees | 109,500 | 77,000 |
| Total auditor's remuneration | 109,500 | 77,000 |

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 2023 is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*.

F4 Other related party disclosures

F4.1 Transactions with other 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.

(a) Transactions and balances with related parties

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.

The following transactions and balances occurred with related parties:

| | 2023 | 2022 |
|---|---------|---------|
| | \$'000 | \$'000 |
| Uniting Church in Australia – Queensland Synod | | |
| Insurance premiums expense | (419) | (371) |
| UnitingCare Queensland | | |
| Service Level Agreement management fee | (3,032) | (2,775) |
| Net payables owing | (224) | (573) |
| Blue Care | | |
| Net sundry recharges | - | (26) |
| Net payables owing | (42) | (74) |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

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 2023 is \$53,797,000 (2022: \$38,718,000).

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 2023

F7 ACNC Disclosure

As per section A1, the ARRCs ACNC reporting 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 | |
| Government grants | 85,247 |
| Donations and bequests | 42 |
| Revenue from providing goods or services | 11,290 |
| Revenue from investments | 943 |
| Other revenue | 5,443 |
| Total revenue | 102,965 |
| Other income | 126 |
| Total gross income | 103,091 |
| Expenses | |
| Employee expenses | (66,934) |
| Interest expenses | (97) |
| Other expenses | (27,189) |
| Total expenses | (94,220) |
| Net surplus | 8,871 |
| Other comprehensive income | - |
| Total comprehensive income | 8,871 |
| Statement of financial position | |
| Assets | |
| Total current assets | 55,013 |
| Total non-current assets | 93,886 |
| Total assets | 148,899 |
| Liabilities | |
| Total current liabilities | 41,939 |
| Total non-current liabilities | 1,316 |
| Total liabilities | 43,255 |
| Net assets | 105,644 |

Australian Regional and Remote Community Services Limited

Notes to the financial statements

For the year ended 30 June 2023

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. Further information may be obtained from the Annual Information Statement lodged with ACNC.

| | 2023 |
|--|---------------|
| Commonwealth Government | \$'000 |
| Department of Health and Aged Care | 87,853 |
| National Disability Insurance Agency | 2,415 |
| Department of Education | 400 |
| National Indigenous Australians Agency | 365 |
| Department of Veteran Affairs | 181 |
| Department of Social Services | 85 |
| Total income from Commonwealth Government | 91,299 |
| Territory Government | |
| Northern Territory Health | 199 |
| Northern Territory Department of Industry, Tourism and Trade | 17 |
| Total income from Territory Government | 216 |
| Other departments and agencies | 8 |

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 Group; and
- Other:
 - Trade payables owing to a related party.

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

30 June 2023

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

- (a) the financial statements and notes set out on pages 1 to 28:
 - 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 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 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 20 September 2023



Craig Barke, Chair
Australian Regional and Remote
Community Services Limited Board



Heather Watson, Chair
Australian Regional and Remote
Community Services Limited, Audit
Risk and Compliance Committee

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

20 September 2023

Dear Craig,

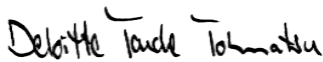
Auditor's Independence Declaration to Australian Regional & Remote Community Services Limited

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 Australian Regional & Remote Community Services Limited.

As lead audit partner for the audit of the financial statements of Australian Regional & Remote Community Services Limited 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 sincerely,



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 2023, 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 29.

In our opinion, the accompanying financial report of Australian Regional & Remote Community Services Limited 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 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 Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 Those Charged with Governance for the Financial Report

Those Charged with Governance 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 Those Charged with Governance 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, Those Charged with Governance 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 Those Charged with Governance 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 Those Charged with Governance.
- Conclude on the appropriateness of Those Charged with Governance'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 Those Charged with Governance 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, 20 September 2023



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