Apollo Care Operations Pty Ltd

ACN 609 769 897

Consolidated Financial Statements

For the Year Ended 30 June 2023

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Contents

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Directors' Report

30 June 2023

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2023.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

John Catherwood Young	
Stephen John Becsi	
Barry George Ashcroft	
Terry W Williamson	
Michelle Lillian McKay	(Appointed on 28 September 2022)
Rodney Paul Young	(Appointed on 4 November 2022)
Nicolas (aka Nick) Mersiades	(Appointed on 3 July 2023)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year were operating residential aged care homes, retirement villages and home and community care services in Queensland and New South Wales.

Operating results

The consolidated loss of the Group amounted to $9,415,162 (2022: $ 2,817,013).

Review of operations

A review of the operations of the Group during the financial year and the results of those operations show an increase in net assets and a decrease in profit this financial year due to the following:

1. First year operations of Bundaleer Care Operations Limited, in Wauchope, New South Wales, which included an 84-bed residential aged care facility, 79 retirement village units, in-home care community services to aged persons and a portion of freehold land.

2. In December 2022 the acquisition of the operations of HRDC Community Limited, in Harden, New South Wales, which included vacant possession of a 45-bed residential aged care home (previously owned by Southern Cross Care NSW & ACT), an occupied 10-unit retirement village and a portion of freehold land.

3. Investment property and property, plant and equipment have been revalued as at 30 June 2023, as follows
   a. Bundaleer Retirement Village (increase to investment property carrying value of $5.6m);
   b. Bundaleer Aged Care Home (increase to property, plant and equipment carrying value of $7.7m);
   c. Alexandra Gardens Aged Care Home (increase to property, plant and equipment carrying value of $4.9m);
   d. Yaralla Place Aged Care Home (increase to property, plant and equipment carrying value of $1.0m);
   e. Charingfield Aged Care Home (increase to property, plant and equipment carrying value of $18.8m);
   f. Groundwater Lodge Aged Care Home (decrease to property, plant and equipment carrying value of $3.4m); and
   g. Vincent Court Aged Care Home (decrease to property, plant and equipment carrying value of $631k);

   Investment property revaluation and aged care home devaluation amounts have been recorded directly to the profit and loss account. Aged care homes revaluations have been transferred to the Asset Revaluation Reserve.

4. Establishment of a Provision for Capital Gains payments to Bundaleer Retirement Village residents (Unfavourable: $1.46m)

Review of operations (cont'd)

5. Bundaleer freehold land Mill Street was acquired for $760,000 in FY22, revalued to $2,750,000 and then subsequently sold during FY23 for $3,100,000.

6. The Group's operating result was again significantly impacted by COVID-19 outbreaks and significant workforce shortages in key care-related areas, including:
   a. increases in agency costs (2023: $8.1m; 2022: $1.4m);
   b. increased salaries and employee benefits (2023: $39.8m; 2022: $23.1m) - this is inclusive of the accrued benefits increase following the FWC ruling of 15% pay increase to relevant staff which came into effect 30 June 2023 ($394k)
   c. the effect of a reversal of $138k accrued COVID-19 funding relating to 2022

The Group returned a deficit in net cash flows from operating activities of $8,150,498 (2022: $673,517 surplus).

The Group has applied to the Commonwealth Department of Health and Aged Care under the COVID-19 Aged Care Support Program and is seeking recovery of $190k of COVID-19 related costs, which if successful will be reimbursed to the Group in the 2023/24 financial year. As these claims were submitted prior to 30 June 2023 they have been accrued for at the year end.

The Directors are considering the issuance of share options to employees in FY24 which are subject to certain KPIs being met. As of the date of this report, no share options have been issued.

Significant changes in state of affairs

Further to the matters above, the following significant changes in the state of affairs of the parent entity occurred during the financial year:

- 'Harden Grange' a 45-bed residential aged care facility and 10-unit retirement village was acquired on 8 December 2022. The vendor was Southern Cross Care NSW/ACT and total acquisition price was $3.25m.
- Conversion of investor loans of $7,804,676 to securities in Apollo Care Operations Pty Ltd.
- Contracts to dispose of freehold land and property known as 'Mill street' acquired during the acquisition of Bundaleer Care Services Limited, were exchanged on 15 September 2022. Sale price was $3.4m and settlement occurred on 1 December 2022.

Events after the reporting date

The following matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years:

- Nanyima Aged Care was acquired on 01 October 2023, including a 50-bed residential aged care home, land lease arrangement community housing, staff residence and workshop. The vendor was Nanyima Operations Limited and total acquisition price was $1.2m.

- Yackandandah Health Centre was acquired on 29 September 2023, including an 84-bed residential aged care home, 10 independent living units, medical centre and early learning centre. The vendor was Yackandandah Health Centre Limited and total acquisition price was $2.5m

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Directors' Report
30 June 2023

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Company secretary

Erin McMullen holds the position of Group Company Secretary. Erin has over 12 years' experience in company secretarial roles for various publicly listed, unlisted and not for profit entities.

Meetings of directors

During the financial year, 5 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit Committee		Community Advisory Board	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John Catherwood Young	5	5	5	2	-	-
Stephen John Becsi	5	5	5	5	5	5
Barry George Ashcroft	5	5	5	5	5	5
Terry W Williamson	5	4	5	5	-	-
Michelle Lillian McKay	4	4	-	-	-	-
Rodney Paul Young	3	3	-	-	5	5
Nicolas (aka Nick) Mersiades	-	-	-	-	-	-

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Apollo Care Operations Pty Ltd.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2023 has been received and can be found on page 4 of the consolidated financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .... John Catherwood Young

Director: .... Stephen John Becsi

Dated: 14 November 2023

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Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Apollo Care Operations Pty Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

KYM REILLY
PARTNER

14 NOVEMBER 2023
SYDNEY, NSW

Apollo Care Operations Pty Ltd

ACN 609 769 897

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

	Note	2023 $	2022 $
Revenue	4	**50,614,076**	29,741,727
Finance income		**95**	43
Net change in fair value of investment property		**6,599,612**	-
Other income	4	**5,491,712**	14,317,657
Employee benefits expense		**(40,249,442)**	(23,188,397)
Restructuring costs		**(37,051)**	-
Depreciation and amortisation expense		**(1,736,901)**	(2,010,124)
Impairment loss on fixed assets		**(4,090,275)**	-
Impairment losses on receivables		**(129,747)**	(46,856)
Marketing expenses		**(821,517)**	(250,148)
Loss on disposal of assets		**(375,197)**	(12,917)
Finance expenses		**(424,885)**	(261,460)
Occupancy costs		**-**	(73,800)
Administrative expenses		**(16,804,861)**	(9,878,000)
Management fees		**(943,446)**	(780,074)
Turnaround and systems setup cost		**(3,381,075)**	(2,029,026)
Acquisition and formation costs		**(1,274,464)**	(2,576,909)
Capital gain paid to residents		**(1,824,933)**	-
Impairments - bed licenses		**-**	(148,889)
(Loss)/Profit before income tax		**(9,388,299)**	2,802,827
Income tax (expense)/credit	5	**(26,863)**	14,256
(Loss)/profit for the year		**(9,415,162)**	2,817,083
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of land and buildings		**33,301,553**	-
Other comprehensive income for the year		**33,301,553**	-
Total comprehensive income for the year		**23,886,391**	2,817,083

Apollo Care Operations Pty Ltd

ACN 609 769 897

Consolidated Statement of Financial Position
As At 30 June 2023

	Note	2023 $	2022 $ Restated
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**6,765,540**	5,067,024
Trade and other receivables	7	**2,342,169**	6,162,551
Other assets	11	**984,522**	1,041,285
TOTAL CURRENT ASSETS		**10,092,231**	12,270,860
NON-CURRENT ASSETS			
Property, plant and equipment	8	**98,930,649**	65,677,172
Investment properties	9	**38,127,000**	28,877,642
Deferred tax assets	22	**213,758**	212,041
Intangible assets	10	**112,488**	112,489
Right-of-use assets	12	**212,059**	264,190
TOTAL NON-CURRENT ASSETS		**137,595,954**	95,143,534
TOTAL ASSETS		**147,688,185**	107,414,394
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**3,218,727**	4,398,991
Borrowings	14	**5,058,297**	6,806,464
Refundable accommodation deposits, bonds and ingoing contributions	15	**77,728,557**	65,852,965
Lease liabilities	12	**49,570**	46,936
Employee benefits	17	**3,455,390**	3,337,065
Deferred revenue		**630,754**	222,610
Other liabilities	16	**3,324,598**	4,274,301
TOTAL CURRENT LIABILITIES		**93,465,893**	84,939,332
NON-CURRENT LIABILITIES			
Borrowings	14	**-**	33,286
Deferred tax liabilities	22	**42,198**	13,618
Lease liabilities	12	**183,851**	233,442
Employee benefits	17	**808,056**	730,553
TOTAL NON-CURRENT LIABILITIES		**1,034,105**	1,010,899
TOTAL LIABILITIES		**94,499,998**	85,950,231
NET ASSETS		**53,188,187**	21,464,163
EQUITY			
Issued capital	18	**15,884,921**	8,047,267
Asset Revaluation Reserve	19	**33,301,533**	-
Retained earnings		**4,001,733**	13,416,895
TOTAL EQUITY		**53,188,187**	21,464,162

The accompanying notes form part of these financial statements.

Apollo Care Operations Pty Ltd

ACN 609 769 897

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

	Note	Issued Capital $	Asset Revaluation Reserve $	Retained Earnings $	Total $
Balance at 1 July 2022		**8,047,267**	**-**	**13,416,895**	**21,464,162**
Loss for the year		**-**	**-**	**(9,415,162)**	**(9,415,162)**
Total comprehensive income for the year		**-**	**33,301,533**	**-**	**33,301,533**
Total comprehensive income for the year		**-**	**33,301,533**	**(9,415,162)**	**23,886,371**
Transactions with owners in their capacity as owners					
Shares issued during the year	18	**7,837,654**	**-**	**-**	**7,837,654**
Balance at 30 June 2023		**15,884,921**	**33,301,533**	**4,001,733**	**53,188,187**
Balance at 1 July 2021		8,362,088	-	10,599,812	18,961,900
Profit for the year		-	-	2,817,083	2,817,083
Transactions with owners in their capacity as owners					
Transaction costs		(314,821)	-	-	(314,821)
Balance at 30 June 2022		8,047,267	-	13,416,895	21,464,162

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**55,322,018**	38,985,172
Payments to suppliers and employees		**(62,985,011)**	(37,896,828)
Interest paid		**(487,505)**	(414,827)
Net cash (used in)/provided by operating activities		**(8,150,498)**	673,517
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		**3,141,382**	-
Payment for purchase of property, plant and equipment		**(4,092,186)**	(2,144,692)
Net (payment)/receipt from acquisitions		**(3,250,000)**	4
Net payment of deferred considerations		**(2,343,687)**	(907,290)
Net cash used in investing activities		**(6,544,491)**	(3,051,978)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**610,000**	-
Net proceeds/(repayment) from borrowings		**5,013,223**	(11,446)
Repayment of lease liabilities		**(46,960)**	(25,600)
Net refundable accommodation deposits received		**10,817,242**	3,590,740
Net cash provided by financing activities		**16,393,505**	3,553,694
Net increase in cash and cash equivalents held		**1,698,516**	1,175,233
Cash and cash equivalents at beginning of year		**5,067,024**	3,891,791
Cash and cash equivalents at end of financial year	6	**6,765,540**	5,067,024

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2023

The consolidated financial report covers Apollo Care Operations Pty Ltd and its controlled entities ('the Group'). Apollo Care Operations Pty Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 13 November 2023.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures and the *Corporations Act 2001.*

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Going concern

The financial report has been prepared on a going concern basis which assumes that the Group will be able to meet its obligations as and when they fall due. The Group's current liabilities exceed current assets by $83,374,000 as at 30 June 2023 (2022: $72,902,000) resulting in a net deficiency of current assets. This mainly arises because of the requirement to classify Refundable Accommodation Deposits ("RADs"), Bonds, and Ingoing Contributions of $77,666,000 (2022: $65,853,000) as current liabilities.

RADs, Bonds and Ingoing Contributions are classified as a current liability as the Group does not have an unconditional right to defer settlement of any specific RADs, Bonds and Ingoing Contributions for at least twelve months after the reporting date.

The Directors believe that based on historical experience, no more than 10% of resident liabilities will mature in any one year.

Recognising the transition costs that are required following the acquisitions of the residential aged care facilities, additional capital was raised during the 2023 financial year. Further capital raisings are planned from both bank and non-bank lenders in the 2024 financial year, together with cash transfers of $14m expected from the FY24 Nanyima and Yackandandah acquisitions.

The 2024 financial year operational budgets incorporate the turnaround projects in place, including bed increases from refurbishment projects; occupancy and AN-ACC uplifts, and staffing optimisation, and show improving performance across the group during the 2024 financial year.

The Directors believe that the Group will be successful in generating the above outcomes and, accordingly, have prepared financial report on a going concern basis.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 23 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

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

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Aged care income

Aged care income comprises fees for basic and additional aged care services, daily accommodation fees and subsidies from the government determined in accordance with Federal government authorised rates. The revenue is recognised as the services are provided and at an amount the Group will be entitled to receive in relation to providing the service.

Deferred management fees

During a resident's tenure, the Group earns a Deferred Management Fee (DMF) which is calculated based on the individual resident contract (DMF contract). There are contractual arrangements that provide a DMF that is earned at various rates. The revenue is recognised over the expected tenure of the resident, which management expects to be for a period of seven years, or upon departure if earlier.

Rental income

Rental income comprises fees from residential units. The revenue is recognised as the services are provided and at an amount the Group will be entitled to receive in relation to providing the service.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue and other income (cont'd)

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(e) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

2 Summary of Significant Accounting Policies (cont'd)

(f) Goods and services tax (GST) (cont'd)

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Freehold Land	NIL
Buildings	2.5%
Plant and Equipment	7.7% - 20.0%
Furniture, Fixtures and Fittings	5.0% - 20.0%
Motor Vehicles	12.5% - 20.0%
Computer Equipment	7.7% to 33.3%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Investment property

Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the consolidated statement of profit or loss and other comprehensive income as other income/expenses.

(i) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

2 Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

2 Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due, recognising timing of when probate is received on resident commitments.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

2 Summary of Significant Accounting Policies (cont'd)

(j) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(k) Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;

- any non-controlling interest; and

- the acquisition date fair value of any previously held equity interest;

- over the acquisition date fair value of net identifiable assets acquired in a business combination.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

2 Summary of Significant Accounting Policies (cont'd)

(k) Intangible assets (cont'd)

Bed licenses

Bed licenses are initially carried at cost or if acquired in a business combination, at fair value at the date of acquisition in accordance with AASB 3 Business Combinations. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses. Bed licences are tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

In September 2021, the Government confirmed its decision to abolish the ACAR and associated supply restrictions on bed licences, advising that this will take full effect at the end of June 2024.

In the 2022 Annual Financial Report, the Group provided an update that the Government had announced an intention to abolish the ACAR bed licensing regime.

As a result of the former Government's announcement and the transitional arrangement that allows providers to apply directly to the Department of Health for an allocation of places, the secondary market for bed licences has effectively ceased. In accordance with Australian Accounting Standards, the licences are deemed to have a remaining value in use. At the present time the directors have determined that in order to comply with Accounting Standards and the Group's accounting policies, bed licences are now fully impaired as of 30 June 2022

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(m) Leases

At inception of a contract, the Group assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

2 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(o) Share capital

Ordinary and other classes of shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(p) Refundable accommodation deposits (RADs), bonds, and ingoing contributions

RADs/accommodation bonds are non-interest bearing deposits made by aged care residents to the Group upon admission. These deposits are liabilities which fall due and payable when the resident leaves the facility. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the Aged Care Act 1997.

Ingoing contribution amounts equal to the value of the unit in exchange for a lease to live in the unit and have access to community facilities. The loan is recorded as a resident obligation liability and is non-interest bearing and recognised at fair value. The fair value of the resident obligations is the amount payable on demand to residents and comprises the initial loan amount less the Deferred Management Fees earned to date.

2 Summary of Significant Accounting Policies (cont'd)

(q) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2023, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

(r) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Group.

(s) Restatement of comparatives

In the previous period, investment property amount of $28.88mil has been classified and presented as property, plant and equipment. This amount had been restated and presented as investment properties. Refer to Note 8 and 9 for details on restated balances. The restatement has no impact on the financial position or results of the Group as previously reported.

Other than the above, certain comparative amounts, which are deemed to be not material, have been disclosed or reclassified where necessary to provide consistency with current period disclosures.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment of property, plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - fair value of land and building in business combinations

Identifiable assets and liabilities acquired through a business combination are recognised in the consolidated financial statements at fair value at the acquisition date. Land and buildings were acquired at a discount and below the rate of exchange between ordinary market participants. The fair value of land acquired has been determined by recent Valuer General valuations. The Directors have determined valuations of relevant properties, after considering CBRE valuations and carrying value of assets as adopted by the vendor organisations.

Key estimates - provisions

As described in the accounting policies, provisions (including employee benefits) are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - fair value of land and buildings under property, plant and equipment

The revaluation model is applied to all land and buildings classified under property, plant and equipment which comprised of residential aged care facilities. The directors determine fair value of these properties by referencing valuations performed by independent and qualified appraisers. These valuations are based on projected cash flows using rate per funded bed and current available market data for similar facilities. These properties were last independently valued during the financial year between September 2022 and May 2023. The directors aim to perform these valuations every three (3) financial years or earlier as required. Refer to Note 24 for further details on measurement of fair value.

Key estimates - fair value of investment properties

The fair value model is applied to all investment properties which comprised of operating retirement villages and NRAS homes. The directors determine fair value investment properties by referencing valuations performed by independent and qualified appraisers. These valuations are based on projected cash flows using current resident contracts and current available market data for similar retirement units and properties. These properties were last independently valued during the financial year between December 2022 and May 2023. The directors aim to perform these valuations every three (3) financial years or earlier as required. Refer to Note 24 for further details on measurement of fair value.

3 Critical Accounting Estimates and Judgments (cont'd)

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key estimates - business combinations

Provisional accounting
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the year the combination occurred and may have an impact on the assets and liabilities reported.

Notes to the Financial Statements

For the Year Ended 30 June 2023

4 Revenue and Other Income

	2023 $	2022 $
Revenue from contracts with customers		
- Fees for aged care services	**10,035,637**	7,185,510
- Supplements and subsidies from government	**39,805,840**	22,551,217
- Deferred management fees	**772,599**	5,000
	50,614,076	29,741,727
Other Income		
- Rental income	**610,104**	615,406
- Recoveries	**142,453**	225,355
- Cash flow boost - government stimulus payments	**778,983**	485,782
- Gain on bargain purchase	**3,873,486**	11,434,684
- Others	**86,686**	1,556,430
	5,491,712	14,317,657

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated into timing of revenue recognition and the following table shows this breakdown:

	2023 $	2022 $
Timing of revenue recognition		
- At a point in time	**49,841,477**	29,736,727
- Over time	**772,599**	5,000
	50,614,076	29,741,727

5 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2023 $	2022 $
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**29,333**	(15,806)
(Over)/under provision in respect of prior years	**(2,470)**	1,550
Total income tax expense/(credit)	**26,863**	(14,256)

Notes to the Financial Statements
For the Year Ended 30 June 2023

5 Income Tax Expense (cont'd)

(b) Reconciliation of income tax to accounting profit:

	2023	2022
	$	$
(Loss)/Profit	**(9,388,299)**	2,802,827
Tax	**25.00%**	25.00%
	(2,347,075)	700,707
Add/(less):		
Tax effect of:		
- other non-allowable items	**61,934**	109,724
- effect of changes in tax rate	**-**	7,083
- impairment	**-**	37,360
- non-deductible expenses	**725**	1,338
- tax losses from controlled entities	**1,759,160**	1,710,520
- non-taxable income	**(405,872)**	(2,858,672)
- unrecognised deferred tax on tax losses	**960,461**	276,134
- prior year tax adjustment	**(2,470)**	1,550
Income tax expense/(credit)	**26,863**	(14,256)

6 Cash and Cash Equivalents

	2023	2022
	$	$
Cash on hand	**7,779**	9,985
Cash at bank	**6,757,761**	5,057,039
	6,765,540	5,067,024

7 Trade and Other Receivables

	2023	2022
	$	$
CURRENT		
Trade receivables	**540,149**	638,398
Provision for impairment	**(160,247)**	(25,476)
GST receivable	**623,445**	618,317
Related party receivables	**265,767**	393,933
Other receivables	**1,073,055**	4,537,379
	2,342,169	6,162,551

Included in other receivables as at 30 June 2022 is an amount of $3,920,639 being cash to be transferred to the Group under Bundaleer acquisition. The full amount was received on 1 July 2022.

Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Property, plant and equipment

	2023 $	2022 $ Restated
LAND AND BUILDINGS		
Freehold land		
At fair value	**10,286,000**	11,545,000
Buildings		
At fair value	**85,256,170**	49,940,602
Accumulated depreciation	**(2,957,170)**	(1,472,742)
Total buildings	**82,299,000**	48,467,860
Plant and equipment		
At cost	**6,159,188**	6,235,764
Accumulated depreciation	**(1,973,241)**	(2,094,446)
Total plant and equipment	**4,185,947**	4,141,318
Furniture, fixtures and fittings		
At cost	**1,725,608**	1,190,146
Accumulated depreciation	**(777,892)**	(690,592)
Total furniture, fixtures and fittings	**947,716**	499,554
Motor vehicles		
At cost	**468,676**	468,676
Accumulated depreciation	**(301,819)**	(223,194)
Total motor vehicles	**166,857**	245,482
Computer equipment		
At cost	**994,817**	743,536
Accumulated depreciation	**(508,388)**	(241,704)
Total computer equipment	**486,429**	501,832
Capital work in progress		
At cost	**558,700**	276,126
Total property, plant and equipment	**98,930,649**	65,677,172

Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Property, plant and equipment (cont'd)

Movement in the carrying amounts:

	Land	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Computer Equipment	Capital work in progress	Total
	$	$	$	$	$	$	$	$
Year ended 30 June 2023								
Balance at the beginning of year	11,850,000	77,040,502	4,141,318	499,554	245,482	501,832	276,126	94,554,814
Restatement adjustment	(305,000)	(28,572,642)	-	-	-	-	-	(28,877,642)
Restated opening balance	11,545,000	48,467,860	4,141,318	499,554	245,482	501,832	276,126	65,677,172
Additions	-	1,141,676	585,933	609,817	-	639,461	1,115,300	4,092,187
Additions through acquisition of entity	1,491,000	2,850,000	955,642	-	-	-	-	5,296,642
Disposals	(2,750,000)	(488,635)	(20,127)	(398,373)	-	-	(4,725)	(3,661,860)
Transfers	-	2,455,753	(1,598,023)	15,425	-	(45,154)	(828,001)	-
Depreciation (charges)/reversal	-	(1,338,932)	121,204	221,293	(78,625)	(609,710)	-	(1,684,770)
Revaluation increase recognised in equity	-	33,301,553	-	-	-	-	-	33,301,553
Impairment loss	-	(4,090,275)	-	-	-	-	-	(4,090,275)
Balance at the end of the year	10,286,000	82,299,000	4,185,947	947,716	166,857	486,429	558,700	98,930,649

9 Investment Properties

	2023	2022
	$	$
		Restated
At fair value		
Balance at beginning of year	**28,877,642**	-
Restatement adjustment	**-**	5,522,642
Additions on acquisition	**3,641,858**	23,355,000
Net change in fair value of investment properties	**5,607,500**	-
Balance at end of year	**38,127,000**	28,877,642

10 Intangible Assets

	2023	2022
	$	$
Intangible assets		
Goodwill		
Cost	**112,488**	112,489
Accumulated impairment losses	**-**	-
Net carrying value	**112,488**	112,489
Bed licences		
Cost	**-**	148,889

Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Property, plant and equipment (cont'd)

Accumulated impairment loses	**-**	(148,889)
Net carrying value	**-**	-
Total Intangible assets	**112,488**	112,489

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Notes to the Financial Statements

For the Year Ended 30 June 2023

10 Intangible Assets (cont'd)

Goodwill relates to the Charingfield acquisition made on 1 July 2020.

	Bed licences $	Goodwill $	Total $
Year ended 30 June 2023			
Balance at the beginning of the year	**-**	**112,489**	**112,489**
Additions	**-**	**-**	**-**
Closing value at 30 June 2023	**-**	**112,489**	**112,489**

11 Other assets

	2023 $	2022 $
CURRENT		
Prepayments	**132,249**	193,967
Accrued income	**852,273**	847,318
	984,522	1,041,285

12 Leases

The Group has leases over a range of assets including buildings and machinery.

Right-of-use assets

	Buildings $	Machinery $	Total $
Year ended 30 June 2023			
Balance at beginning of year	**114,872**	**149,318**	**264,190**
Depreciation charge	**(17,676)**	**(34,455)**	**(52,131)**
Balance at end of year	**97,196**	**114,860**	**212,059**

12 Leases (cont'd)

Lease liabilities

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

	< 1 year	1 - 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Consolidated Statement Of Financial Position
	$	$	$	$	$
2023					
Lease liabilities	**59,622**	**178,819**	**11,599**	**250,040**	**233,421**
2022					
Lease liabilities	59,206	215,469	34,571	309,246	280,378

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to interest expense on lease liabilities and short-term leases or leases of low value assets are shown below:

	2023	2022
	$	$
Interest expense on lease liabilities	**13,412**	15,751
Depreciation expense on right-of-use assets	**52,134**	22,972
	65,546	38,723

Consolidated Statement of Cash Flows

Total cash outflow for leases	**49,960**	25,600

13 Trade and Other Payables

	2023	2022
	$	$
CURRENT		
Trade payables	**2,028,876**	2,650,390
Sundry payables and accrued expenses	**279,162**	1,076,772
Wages, superannuation and PAYG payables	**700,274**	492,999
Other payables	**210,415**	178,830
	3,218,727	4,398,991

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

14 Borrowings

	2023	2022
	$	**$**
CURRENT		
Other loans	**5,025,000**	-
Related party payables	**11**	6,794,687
Hire Purchase	**33,286**	11,777
	5,058,297	6,806,464

The related party loan amount of $6,777,687 was converted to capital in the current year.

On 27 March 2023, Apollo Care Properties Pty Limited and Apollo Care Operations Pty Limited entered into a loan agreement with Amal Trustees Pty Limited for $5,025,000. Interest at 12.25% pa is accrued daily and payable quarterly. Capital repayments are payable quarterly and the amount is contingent on the RAD turnover for new residents entering Groundwater Lodge refurbished rooms. The loan is secured over the property assets of Groundwater Lodge and Alexandra Gardens.

	2023	2022
NON-CURRENT		
Hire Purchase	**-**	33,286

15 Refundable Accommodation Deposits, Bonds and Ingoing Contributions

	2023	2022
	$	**$**
CURRENT		
Refundable accommodation deposits and bonds	**64,743,873**	51,475,501
Ingoing contributions	**12,984,684**	14,377,464
	77,728,557	65,852,965

16 Other Liabilities

	2023	2022
	$	**$**
CURRENT		
Deferred considerations on acquisition	**3,324,598**	4,274,301

Deferred considerations for the Charingfield acquisition reflect the present value of the amounts due for payment per the terms as set out in the Transfer of Membership Agreement. The payable amount was settled in full on 4 July 2023.

Notes to the Financial Statements

For the Year Ended 30 June 2023

17 Employee Benefits

	2023 $	2022 $
CURRENT		
Long service leave	**840,656**	823,845
Annual leave	**2,614,734**	2,513,220
	3,455,390	3,337,065
NON-CURRENT		
Long service leave	**808,056**	730,553

18 Issued Capital

	2023 $	2022 $
1,666,666 (2022: 1,666,666) Ordinary shares	**301**	301
1,162,354 (2022: 294,118) Class O shares	**3,399,974**	999,989
6,384,760 (2022: 5,176,389) Class I shares	**13,071,891**	7,634,222
Share issue costs, net of tax	**(587,245)**	(587,245)
Total	**15,884,921**	8,047,267

Movement in ordinary shares:

	2023 No.	2022 No.
At the beginning of the reporting period	**7,137,173**	7,137,173
Shares issued during the year		
Class O shares	**668,236**	-
Class I shares	**1,208,371**	-
At the end of the reporting period	**9,013,780**	7,137,173

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

Class I shares are entitled to receive any dividends declared on that class of shares and has the same voting rights as per ordinary share holders.

The Company does not have authorised capital or par value in respect of its shares.

19 Reserves

The asset revaluation reserve arises on the revaluation of land and buildings.

Notes to the Financial Statements

For the Year Ended 30 June 2023

20 Business Combinations

HRDC Community Limited

On 7 December 2022, the Group entered into Asset Sale Agreements and Land Sale Contract with Southern Cross Care (NSW&ACT) Limited (Seller) for the purchase of the entire controlling interest of the Assets and Business Operations of the Harden facilities for a consideration of $3,250,000 in cash.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value $
Purchase consideration:	
- Cash	**3,250,000**
Total purchase consideration	**3,250,000**
Assets or liabilities acquired:	
Plant and equipment	**955,642**
Land and buildings	**4,575,500**
Refundable accommodation deposits and bonds	**(677,656)**
Total net identifiable assets	**4,853,486**
Identifiable assets acquired and liabilities assumed	**4,853,486**
Deferred payment consideration	**3,250,000**
Less: Identifiable assets acquired	**4,853,486**
Bargain purchase (surplus of assets acquired over consideration paid)	**(1,603,486)**

Provisional accounting of acquisitions

The Group applies provisional accounting for any business combination.

Any reassessment of the fair value of the assets acquired or liabilities assumed during the earlier of the finalisation of the provisional accounting or 12 months from acquisition date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 Business combinations, with corresponding adjustments against goodwill. Thereafter, at each reporting date, any increase or decrease in the fair value of the assets acquired or liabilities assumed will result in a corresponding gain or loss recognised in profit or loss.

At this time, except for items noted below, we do not expect material changes in conjunction with the transaction. Specifically, the following assets and liabilities are subject to change:

- Land and buildings
- Refundable accommodation deposits and bonds

As management received additional information during the measurement year, these assets and liabilities may be adjusted.

21 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Borrowings
- Refundable accommodation deposits and bons
- Deferred consideration on acquisition

	2023 $	2022 $
Financial assets		
Held at amortised cost		
Cash and cash equivalents	**6,765,540**	5,067,024
Trade and other receivables	**2,342,169**	6,162,551
Total financial assets	**9,107,709**	11,229,575
Financial liabilities		
Held at amortised cost	**-**	-
Trade and other payables	**3,218,727**	4,398,991
Borrowings	**5,058,297**	6,840,143
Refundable accommodation deposits, bonds and ingoing contributions	**77,728,557**	65,852,965
Deferred consideration on acquisition	**3,324,598**	4,274,301
Other liabilities	**630,754**	222,610
Total financial liabilities	**89,960,933**	81,589,010

21 Financial Risk Management (cont'd)

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place. Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses in risking damage to Group's reputation.

The Group has in place a formal liquidity management policy to meet prudential regulations and to manage risk that ensures that is has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. This policy is updated at least annually and also as appropriate in response to changing circumstances such as material increases in resident and other liabilities or changes to occupancy levels or other situations that may affect liquidity.

The Directors believe that based on historical experience, no more than 30% resident liabilities will mature in any one year.

The Group also maintains a prudential reserve facility with a related party that provides a $2mil line of credit, repayable from new RAD receipts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

Notes to the Financial Statements

For the Year Ended 30 June 2023

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax assets			
Provisions	-	40,275	40,275
Property, plant and equipment	33,403	(33,403)	-
Other adjustments	93,617	78,149	171,766
Equity transaction costs	66,277	(66,277)	-
Balance at 30 June 2022	193,297	18,744	212,041
Provisions	**40,275**	**26,549**	**66,824**
Other adjustments	**171,766**	**(24,832)**	**146,934**
Balance at 30 June 2023	**212,041**	**1,717**	**213,758**

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax liabilities			
Property, plant and equipment	-	8,164	8,164
Prepayments	9,130	(3,676)	5,454
Balance at 30 June 2022	9,130	4,488	13,618
Property, plant and equipment	**8,164**	**20,841**	**29,005**
Prepayments	**5,454**	**7,739**	**13,193**
Balance at 30 June 2023	**13,618**	**28,580**	**42,198**

Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

23 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Subsidiaries:			
Apollo Care Managed Investment Trust	Australia	**100**	100
Apollo Care Pty Limited	Australia	**100**	100
Apollo Care Properties Pty Limited	Australia	**100**	100
Apollo Care (Bellevue) Operations Pty Limited	Australia	**100**	100
Apollo Care Bellevue Trust	Australia	**100**	100
Charingfield Limited	Australia	**100**	100
Apollo Care Charingfield Trust	Australia	**100**	100
Vincent Court Limited	Australia	**100**	100
Vincent Court Trust	Australia	**100**	100
Calvin Aged Care Limited	Australia	**100**	100
Calvin Aged Care Trust	Australia	**100**	100
Apollo Care Properties 2 Pty Ltd	Australia	**100**	100
Bundaleer Care Operations Limited	Australia	**100**	100
Bundaleer Trust	Australia	**100**	100
HRDC Community Limited	Australia	**100**	-
Harden Trust	Australia	**100**	-

24 Fair Value Measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Property, plant and equipment – Land and Buildings
- Investment property

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

24 Fair Value Measurement (cont'd)

Fair value hierarchy (cont'd)

The table below shows the assigned level for each asset and liability held at fair value by the Group:

30 June 2023	Level 1 $	Level 2 $	Level 3 $
Recurring fair value measurements			
Property, plant and equipment			
Land	**-**	**-**	**10,286,000**
Buildings	**-**	**-**	**82,299,000**
Investment property	**-**	**-**	**38,127,000**

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

25 Key Management Personnel Disclosures

The remuneration paid to key management personnel of the Company and the Group is $742,223 (2022: $ 260,000).

26 Contracted Commitments

	2023 $	2022 $
Contracted commitments for:		
Planned capital works and refurbishments	**3,500,000**	-
Stamp duty on acquisition of aged care facility	**1,318,000**	642,695
	4,818,000	642,695

Stamp duty on acquisition is not assessed until subsequent to the year end.

The Company anticipates that no significant capital expenditure commitments are required to the recently acquired residential aged care accommodations.

Notes to the Financial Statements
For the Year Ended 30 June 2023

27 Contingencies

The Group had a contingent liability on an auto payroll facility amounting to $1,080,000 (2022: $250,000).

28 Related Parties

(a) The Group's main related parties are as follows:

Key management personnel - refer to Note 25.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

			Balance outstanding	
	Purchases	Sales	Owed to the company	Owed by the company
	$	$	$	$
KMP related parties				
Contractor fees paid to KRA Consulting	165,417	-	-	-
Other related parties				
Management fees paid to Apollo Care Management	634,313	-	-	-
Management fees paid to Cartesia Pty Ltd	70,506	-	-	-

(c) Loans to/from related parties

Loans are unsecured and repayable in cash, with no set repayment terms or interest payable.

	Opening balance	Closing balance	Interest not charged	Interest paid/payable
	$	$	$	$
Loans from related entities				
2023	**6,794,689**	**-**	**-**	**-**
2022	10	6,794,689	-	-
Loans to related parties				
2023	**1,273**	**132**	**-**	**-**
2022	86,703	1,273	-	-

29 Auditors' Remuneration

	2023 $	2022 $
Remuneration of the auditor PKF, for:		
- auditing or reviewing the financial statements	**62,000**	59,500

30 Parent entity

The following information has been extracted from the books and records of the parent, Apollo Care Operations Pty Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Apollo Care Operations Pty Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

	2023 $	2022 $
Statement of Financial Position		
Assets		
Current assets	**7,303,876**	7,615,602
Non-current assets	**101,582,905**	87,856,456
Total Assets	**108,886,781**	95,472,058
Liabilities		
Current liabilities	**74,758,483**	64,060,453
Non-current liabilities	**42,198**	13,618
Total Liabilities	**74,800,681**	64,074,071
Equity		
Issued capital	**15,884,938**	8,047,267
Retained earnings	**18,201,162**	23,350,721
Total Equity	**34,086,100**	31,397,987
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	**(2,378,528)**	(10,709,685)
Total comprehensive income	**(2,378,528)**	(10,709,686)

31 Events Occurring After the Reporting Date

The consolidated financial report was authorised for issue on 13 November 2023 by the board of directors.

The following matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years:

- Nanyima Aged Care was acquired on 29 September 2023, including a 50-bed residential aged care home, land lease arrangement community housing, staff residence and workshop. The vendor was Nanyima Operations Limited and total acquisition price was $1.2m.

- Yackandandah Health Centre was acquired on 30 September 2023, including an 84-bed residential aged care home, 10 independent living units, medical centre and early learning centre. The vendor was Yackandandah Health Centre Limited and total acquisition price was $2.5m.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

32 Statutory Information

The registered office and principal place of business of the company is:

Apollo Care Operations Pty Ltd
Level 2 16-18 O'Connell Street
SYDNEY NSW 2000

Apollo Care Operations Pty Ltd

ACN 609 769 897

Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 38, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards - Simplified Disclosure Standard; and

    b. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Company and consolidated group.

2. In the directors' opinion, there are reasonable grounds to believe that the Company 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 of Directors.

Director ....
John Catherwood Young

Director ....
Stephen John Becsi

Dated: 14 November 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF APOLLO CARE OPERATIONS PTY LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Apollo Care Operations Pty Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year.

In our opinion, the accompanying financial report of Apollo Care Operations Pty Ltd is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards – Simplified Disclosure Requirements and the Corporations Regulations 2001.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Other Information (cont'd)

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosure Requirements and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated 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 consolidated 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

PKF

PKF

KYM REILLY
PARTNER

14 NOVEMBER 2023
SYDNEY, NSW