

Aruma Services

ABN 31 001 813 403

Annual report 30 June 2022

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Annual report - 30 June 2022

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Your directors present their report on the consolidated entity consisting of Aruma Services and the entities it controlled at the end of, or during, the year ended 30 June 2022. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Aruma Services during the whole of the financial year and up to the date of this report, unless otherwise stated:

Candice Charles - Chair
Leanne Dreves - Deputy Chair
Maura Boland
Chris Edwards
Samantha Male
Malcolm Kinns (appointed 26 August 2021)
Andrea Tustin (appointed 25 November 2021)
Richard Madden - Deputy Chair (resigned 25 November 2021)
Andrew Sando (resigned 9 March 2022)
Peter Williams (resigned 4 May 2022)

Principal activities

The principal activity of the Group during the year was the provision of support services to people with a disability, their families and carers.

No significant change in the nature of these activities occurred during the year.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Review of operations

Overview of the Group

Consolidated revenue of \$468,204,000 (2021: \$478,908,000) decreased by 2% (2021: decreased by 2%) compared with the prior year. During the year the Group experienced a general decline in funding of customers' National Disability Insurance Scheme (NDIS) plans in shared living, increased regulations and compliance in the disability sector and the impact of COVID-19 lockdowns on the Group's operations particularly in New South Wales (NSW) and Victoria. The decline in revenue was partially offset by the receipt of payments and funding from the NDIA for the purpose of contributing to the increased reasonable and necessary costs related to managing COVID-19 impacts on staff and customers.

Consolidated net loss of \$3,644,000 (2021: loss of \$4,561,000) decreased by 20% (2021: consolidated net profit decreased by 111%) mainly due to a number of non-recurring events that occurred last year and the challenging business environment as described.

Net assets of \$111,153,000 (2021: \$112,037,000) decreased by 0.8% (2021: decreased by 2%).

Cash flows from operating activities was \$15,734,000 (2021: \$48,926,000). Cash flows used in investing activities was \$3,567,000 (2021: \$6,182,000). Overall cash on hand increased by \$4,511,000 (2021: \$11,312,000).

Impact of COVID-19

Aruma's COVID-19 Pandemic Response and Crisis Management Teams continued to meet during the year to actively manage and monitor the Group's operations and protocols in response to the evolving COVID-19 pandemic.

Responding to the COVID-19 pandemic has had a negative impact on the Group's financial performance and position during the financial year. The Board and the Group's executive leadership team continue to address the key risks impacting the Group's operations.

Event since the end of the financial year

The Group has marketed for sale of its property located at 49 Blackbutts Road, Belrose on 19 September 2022. The sale is expected to be completed by December 2022.

No other matters or circumstances have arisen since 30 June 2022 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Information on directors

Candice Charles	Chair
Qualifications	B App Sc, MBA, MPH, GAICD
Experience	<p>Candice Charles is an experienced Chair with a career in the financial, health and community sectors. She has held directorships in several for-purpose organisations since 2002, building her expertise in corporate governance, strategy, financial management and clinical governance.</p> <p>Candice has held senior leadership positions in the financial services sector at National Australia Bank and Transport Accident Commission, and in health and community service organisations including Good Shepherd Microfinance, Breast Cancer Network Australia. Candice has also run her own consulting business.</p> <p>She is a non-executive director of Dental Health Services Victoria and was previously Chair of The Tipping Foundation, Deputy Chair of the North Richmond Community Health Centre, Chair of Out Doors Inc and a director of YWCA Victoria.</p> <p>Candice has a Masters Degree in Public Health and Business Administration from the University of Melbourne.</p>
Special responsibilities	Chair of the Aruma Services Board, Ex-officio Member of the Audit & Risk Committee, Ex-officio Member of the Customer Experience & Outcomes Committee, Member of the Governance & Remuneration Committee, Ex-officio Member of the NSW Land Transfer Agreement Oversight Committee

Information on directors (continued)

Leanne Dreves	Deputy Chair
Qualifications	B. Com, CPA, GAICD
Experience	<p>Leanne Dreves is a finance, governance, and risk professional. She has extensive experience as a director and senior executive for leading organisations in the not-for-profit sector.</p> <p>Leanne has held senior accounting and financial leadership roles in credit unions, charities and in public practice. She is currently Chief Financial Officer and Company Secretary of not-for-profit Act for Kids Limited, and its controlled entities. In addition, Leanne is Company Secretary for Abused Child Foundation Limited.</p> <p>Leanne is a non-executive director of Roses in the Ocean, Australia's leading lived experience of suicide organisation. She was previously a non-executive director of House with No Steps.</p> <p>Leanne is a Certified Practicing Accountant (CPA) and also holds a Bachelor of Commerce (Accounting).</p>
Special responsibilities	Chair of the Audit & Risk Committee, Member of the Governance & Remuneration Committee
Maura Boland	Director
Qualifications	BSc (Hons), Grad Dip Comm Mgt, MAppSc, (Comm Mgt), Grad Cert Mgt, GAICD
Experience	<p>Maura Boland is a leader, strategic thinker, and influencer with expertise across all aspects of management and corporate governance including strategic planning, policy development, social and capital program design and administration, regulation, and project governance.</p> <p>Currently Maura is a director of The Insight Partnership, a management consultancy specialising in collaboration for strategic results in areas of positive social and environmental impact. Maura has held a range of executive positions in the NSW Government, most recently as Deputy Director-General, Strategy and Policy in the then Family and Community Services and has extensive experience in government and human services. She has successfully led and guided change and innovation across housing, health, disability, environment, planning and other government portfolios.</p> <p>Her non-executive director positions have included the House with No Steps and ANROWS.</p> <p>She is an Executive Fellow of the Australia and New Zealand School of Government (ANZSOG).</p>
Special responsibilities	Chair of the Governance & Remuneration Committee

Information on directors (continued)

Chris Edwards	Director
Qualifications	GAICD, Dip. Business
Experience	<p>Chris Edwards is a manager and director with extensive experience across the human services sector. He has specific expertise in disability inclusion and improving organisation performance in service delivery.</p> <p>Chris is currently Manager, Government Relations and Advocacy for Vision Australia. He has performed a range of strategic and operational management roles for Vision Australia and has previously worked for Nous Group, a leading Australian professional services firm.</p> <p>Chris is also a non-executive director for RPH Australia and his prior board appointments include a non-executive director of The Tipping Foundation Ltd, Retina Australia (Victoria) and Disability Attendant Support Service Incorporated (DASSI), including two years as Chair of DASSI.</p> <p>Chris is a Seeing Eye Dog handler and works in partnership with his Seeing Eye Dog, Eva.</p>
Special responsibilities	Chair of the Customer Experience & Outcomes Committee
Samantha Male	Director
Qualifications	BSc (Hons), MBA, GAICD
Experience	<p>Samantha Male is an experienced director and senior business executive. She has particular experience in community housing, having worked at a senior management and Board level across the UK and Australia.</p> <p>Samantha runs her own consultancy business, leading transformation projects within the social services sector. She lives in rural Australia running a family Avocado Farm. Previously Samantha held senior executive roles with Link Housing, Mission Australia Housing and Genesis Housing Group.</p> <p>She is the Chair of Bundaleer Care Services Ltd and was formerly an executive director of Pathmeads Residential Ltd and Orchard & Shipman PLC (UK), and a non-executive director of House with No Steps and Berkshires Women's Aid.</p> <p>Samantha holds a Bachelor of Science (Building) and graduated with an MBA from the Cranfield School of Management in 2011.</p>
Special responsibilities	Chair of the NSW Land Transfer Agreement Oversight Committee

Information on directors (continued)

Malcolm Kinns	Director (appointed on 26 August 2021)
Qualifications	B.Eng (Hons), Chemical Engineering
Experience	<p>Malcolm Kinns is an experienced director and education executive. He has held senior leadership roles in the vocational and higher education sectors and had an extensive career building and improving technology driven education.</p> <p>Malcolm is currently Chief Executive Officer of Generation Australia, an independent not-for-profit focused on transforming education to employment systems to prepare, place, and support people into life-changing careers. Previously Malcolm has worked with a variety of educational institutions including Think Education Group, Edinburgh Business School and FBOL Solutions, where he consulted to universities and other education institutions on business growth strategies and best practice design principles for the delivery of blended and online learning.</p> <p>Malcolm has also held advisory board roles on the Classic Wallabies Indigenous Exchange, supporting young Indigenous Australians to undertake volunteer assignments in South Africa as well as the NSW Rugby Learn, Earn, Legend program.</p> <p>Malcolm holds a Bachelor of Engineering (Honours), Chemical Engineering from The University of Edinburgh.</p>
Special responsibilities	Member of the Customer Experience & Outcomes Committee, Member of the NSW Land Transfer Agreement Oversight Committee
Andrea Tustin	Director (appointed on 25 November 2021)
Qualifications	B. Com, CPA, GAICD
Experience	<p>Andrea Tustin is a strategic, operationally, and commercially focused finance professional. She has extensive financial, commercial, technical and management experience across a diverse range of organisations and sectors in Australia, South Africa and UK.</p> <p>Andrea is currently the Chief Financial Officer of the Uniting Church of Australia – Synod of NSW & ACT. Previously Andrea has held senior finance and leadership roles at Nextt Group, Southern Cross Care, Corum Group Australia, NSW Business Chamber, Gambro Pty Ltd, Dymocks and Deloittes.</p> <p>Andrea is a non-executive director and treasurer of Can Too Foundation. She was previously a non-executive director of Take 3 Ltd.</p> <p>Andrea is a Certified Practising Accountant (CPA) and holds a Bachelor of Commerce from the University of South Africa.</p>
Special responsibilities	Member of the Audit & Risk Committee

Information on directors (continued)

Tiffany Roxburgh	Company Secretary
Qualifications	B. Com, CA, GAICD
Experience	<p>Tiffany is both Company Secretary and Acting Chief Operating Officer for Aruma Services and has held executive roles in the areas of finance, risk, and governance.</p> <p>Tiffany has extensive experience in the resources and energy industry and private equity owned organisations before joining Aruma in 2018. Previously Tiffany held the position of Client Director at Deloitte, and Director Corporate Development and Sustainability at Bis industries.</p>
Sarah Houlihan	Company Secretary (appointed on 26 August 2021)
Qualifications	BArtTh, MArtAdmin
Experience	<p>Sarah is both Company Secretary and Manager Corporate Governance for Aruma Services. She has held company secretarial and governance related roles in the not-for-profit and corporate sectors, including MLC (NAB Wealth), WWF-Australia and the National Association for the Visual Arts.</p>

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2022, and the numbers of meetings attended by each director were:

Directors	Meetings of the Aruma Services Board (excluding subsidiary meetings)		Audit & Risk Committee meetings		Human Rights Committee meetings*	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Candice Charles	9	9	12	12	-	-
Leanne Dreves	9	9	12	11	-	-
Maura Boland	9	9	-	-	1	1
Chris Edwards	9	9	-	-	2	2
Samantha Male	9	9	-	-	1	1
Malcolm Kinns	8	8	-	-	-	-
Andrea Tustin	6	6	6	5	-	-
Richard Madden	3	3	-	-	-	-
Andrew Sando	5	5	-	-	-	-
Peter Williams	7	7	11	11	-	-

Directors	Governance & Remuneration Committee meetings		Customer Experience & Outcomes Committee meetings		NSW Land Transfer Agreement Oversight Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Candice Charles	4	4	4	4	3	3
Leanne Dreves	2	2	-	-	-	-
Maura Boland	4	4	-	-	-	-
Chris Edwards	-	-	4	4	-	-
Samantha Male	2	2	2	2	3	3
Malcolm Kinns	-	-	2	2	3	3
Andrea Tustin	-	-	-	-	-	-
Richard Madden	-	-	1	1	-	-
Andrew Sando	2	2	-	-	-	-
Peter Williams	-	-	-	-	-	-

* The Human Rights Committee was dissolved as a Committee of the Aruma Services Board, effective 6 May 2022

Shares under option

No option to acquire shares in the Group has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

Members guarantee

Aruma Services is a company limited by guarantee and in accordance with the Constitution the liability of members in the event of Aruma Services being wound up during the time, or within one year after he or she is a member, would not exceed (\$1) per member towards meeting any outstanding obligations of the entity. At 30 June 2022 the total amount that members are liable to contribute if Aruma Services is wound up is \$36 (2021: \$34).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012* is set out on page 9.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the board of directors.



Candice Charles - Chair
Director

Sydney
20 October 2022



Auditor's Independence Declaration

As lead auditor for the audit of Aruma Services for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aruma Services and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'EPenny', is written over a light blue horizontal line.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
20 October 2022

Aruma Services

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Financial report - 30 June 2022

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These financial statements are the consolidated financial statements of the Group consisting of Aruma Services and its subsidiaries. A list of subsidiaries is included in Note 23. The financial statements are presented in Australian Dollars (\$).

Aruma Services is an Australian Public Company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Aruma Services
Level 3, 20-24 Wentworth Street
Parramatta NSW 2150, Australia

The financial statements were authorised for issue by the directors on 20 October 2022. The directors have the power to amend and reissue the financial statements.

Aruma Services
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue and other income			
Revenue	4	467,458	446,268
Other income	4	746	32,640
	4	468,204	478,908
Less: expenses			
Employee benefits expense	5	(405,649)	(418,701)
Occupancy expense		(12,689)	(12,547)
Depreciation and amortisation expense	5	(13,441)	(14,328)
Professional fee expenses		(4,132)	(6,761)
Motor vehicle expenses		(4,131)	(4,333)
Material and consumables used		(5,033)	(4,838)
Technology expenses		(15,163)	(6,345)
Repairs and maintenance expense		(5,030)	(6,121)
Sales and marketing expenses		(2,399)	(2,963)
Finance expenses		(1,270)	(1,419)
Other expenses		(2,911)	(5,113)
Total expenses		(471,848)	(483,469)
Loss before income tax expense		(3,644)	(4,561)
Income tax expense		-	-
Net loss from continuing operations		(3,644)	(4,561)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability		2,760	1,018
Changes in the fair value of financial assets at fair value through other comprehensive income		-	1,038
Change in fair value of freehold land and commercial buildings		-	211
		2,760	2,267
Other comprehensive income for the year, net of tax		2,760	2,267
Total comprehensive loss for the year		(884)	(2,294)

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

Aruma Services
Consolidated statement of financial position
As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	114,290	109,779
Trade receivables and accrued income	7	34,649	33,300
Inventories	8	846	839
Other financial assets	9(a)	5,179	-
Other current assets	10	9,394	12,346
Total current assets		<u>164,358</u>	<u>156,264</u>
Non-current assets			
Biological assets	11	602	602
Other financial assets	9(b)	-	5,899
Intangible assets	12	256	2,732
Property, plant and equipment	13	76,674	77,548
Right-of-use assets	14	27,803	30,543
Other non-current assets	10	-	4,124
Total non-current assets		<u>105,335</u>	<u>121,448</u>
Total assets		<u>269,693</u>	<u>277,712</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	25,395	27,125
Lease liabilities	14	6,886	7,017
Employee benefit obligations	16	57,587	64,521
Provisions	17	37,670	26,026
Contract liabilities	18	6,823	8,696
Total current liabilities		<u>134,361</u>	<u>133,385</u>
Non-current liabilities			
Lease liabilities	14	21,292	24,320
Employee benefit obligations	16	2,045	2,217
Provisions	17	842	5,753
Total non-current liabilities		<u>24,179</u>	<u>32,290</u>
Total liabilities		<u>158,540</u>	<u>165,675</u>
Net assets		<u>111,153</u>	<u>112,037</u>
EQUITY			
Reserves	19(a)	11,482	8,722
Retained surplus	19(b)	99,671	103,315
Total equity		<u>111,153</u>	<u>112,037</u>

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

Aruma Services
Consolidated statement of changes in equity
For the year ended 30 June 2022

	Reserves \$'000	Retained surplus \$'000	Total equity \$'000
Balance at 1 July 2020	6,736	107,595	114,331
Loss for the year	-	(4,561)	(4,561)
Remeasurements of defined benefit liability	1,018	-	1,018
Change in fair value of financial assets	1,038	-	1,038
Increase in valuation of freehold land and buildings held at valuation	211	-	211
Total comprehensive income/(loss) for the year	2,267	(4,561)	(2,294)
Transactions with owners in their capacity as owners:			
Transfer of reserve (Note 19(b))	(281)	281	-
Balance at 30 June 2021	8,722	103,315	112,037
 Balance at 1 July 2021	 8,722	 103,315	 112,037
Loss for the year	-	(3,644)	(3,644)
Remeasurements of defined benefit liability	2,760	-	2,760
Total comprehensive income/(loss) for the year	2,760	(3,644)	(884)
 Balance at 30 June 2022	 11,482	 99,671	 111,153

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

Aruma Services
Consolidated statement of cash flows
For the year ended 30 June 2022

	2022	2021
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipt from customers (inclusive of GST)	470,617	494,259
Payments to suppliers and employees (inclusive of GST)	(453,905)	(444,533)
Interest received	292	619
Interest paid	(1,270)	(1,419)
Net cash inflow from operating activities	<u>15,734</u>	<u>48,926</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	164	170
Proceeds from sale of financial assets at fair value through other comprehensive income	-	658
Proceeds from sale of financial assets at fair value through profit or loss	892	-
Payment for property, plant and equipment	(4,092)	(4,221)
Payment for intangible assets	-	(2,241)
Payments for financial assets at fair value through other comprehensive income	-	(781)
Payments for financial assets at fair value through profit or loss	(1,015)	-
Dividends received	484	233
Net cash outflow from investing activities	<u>(3,567)</u>	<u>(6,182)</u>
Cash flows from financing activities		
Repayment of borrowings	-	(23,396)
Lease payments	(7,656)	(8,036)
Net cash outflow from financing activities	<u>(7,656)</u>	<u>(31,432)</u>
Net increase in cash and cash equivalents	4,511	11,312
Cash and cash equivalents at the beginning of the financial year	<u>109,779</u>	<u>98,467</u>
Cash and cash equivalents at end of financial year	6 <u>114,290</u>	<u>109,779</u>

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

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1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Aruma Services and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Simplified Disclosure Requirements

The consolidated financial statements of the Group comply with Australian Accounting Standards - Simplified Disclosures as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the respective accounting policies.

(iii) Comparative information

Comparative information is reclassified where appropriate to enhance comparability or in conformity with revised standards and interpretations.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2021:

- AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139]*
- AASB 2020-9 *Amendments to Australian Accounting Standards - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments [AASB 1060]*.

The amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group 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 activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue from contracts with customers

NDIS funding

The Group provides disability services to participants who qualify for NDIS funding. NDIS funding for each participant is provided based on an hourly/weekly fixed price basis for approved specific support services. Revenue is recognised in the amount to which the Group has a right to invoice, based on specific support services delivered to participants each week. The Group invoices NDIA on a weekly or fortnightly basis and consideration is payable within 7 days from invoice date.

1 Summary of significant accounting policies (continued)

(c) Revenue from contracts with customers (continued)

Government block funding

The Group provides disability services to participants who either have not transitioned from federal or state government funding schemes to the NDIS or are not eligible for NDIS funding. Revenue is recognised in the amount to which the Group has a right to invoice, based on specific support services delivered to participants each week. The Group recognises a liability for government block funding received in advance of delivery of specific performance obligations in each participant's approved funding plan.

Service revenue

The Group provides commercial laundry and facility services to business customers. Revenue is recognised when services have been rendered and the customer has received and used the benefits simultaneously. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognised when services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group provides supported independent living support services under fixed price weekly fee contracts to participants who live at fit for purpose properties owned or leased by the Group. Revenue is recognised in the amount to which the Group has a right to invoice, based on specific support services delivered to participants each week. Participants are invoiced on a fortnightly basis and consideration is payable within 14 days from invoice date.

Sale of goods

The Group manufactures and sells biscuits, packaging materials, assembles and delivers medical packs and supplies, harvests and sells farm products. Revenue is recognised when the products have been shipped to the specific location and the customer has accepted the products in accordance with the sales contract. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognised when goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Government Grants, Donations, Bequests, Fundraising Income and Volunteer Services

The Group recognises government grants as an asset where the consideration to acquire the grant is significantly less than the fair value of the asset principally to enable the Group to further its objectives. The Group recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard. Upon initial recognition of the asset, The Group would consider whether any other related amounts should be recognised.

Where the government grant relates to a transfer of a financial asset to enable the Group to acquire or construct a recognisable non-financial asset to be controlled by the Group, the Group recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. The Group recognises income as it satisfies its obligations under the transfer.

Where the government grant does not enable the Group to acquire or construct a recognisable non-financial asset to be controlled by the Group, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The Group recognises donations, bequests and fundraising appeals as income when it gains control of the donated cash and bequeathed assets. The Group recognises a liability for all direct and indirect fundraising costs as they are incurred.

The Group does not recognise volunteer services even if the fair value of those services can be measured reliably, regardless of whether the services would have been purchased if they had not been donated. The Group does not rely significantly on volunteer services.

1 Summary of significant accounting policies (continued)

(e) Dividend and interest income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and other comprehensive income (FVOCI). Dividends are recognised as income in profit or loss at the time the right to receive payment has been established.

Interest income received from financial assets at amortised cost and financial assets at FVPL and FVOCI is calculated using the effective interest method, with interest accrued over the relevant period using the effective interest rate. This rate exactly discounts the estimated future cash flows over the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is recognised as income in profit or loss.

(f) Income tax

The Group is registered under the *Charitable Fundraising Act 1991* and is endorsed as income tax exempt charitable entities under Subdivision 50 B of the *Income Tax Assessment Act 1997*.

Aruma Services is a public benevolent institution as defined in the *Income Tax Assessment Act 1997* and is endorsed as a deductible gift recipient under Subdivision 30 BA of the *Income Tax Assessment Act 1997*.

(g) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(h) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held for distribution at no or nominal consideration are measured at lower of cost and current replacement cost.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or in other comprehensive income.

For investments in equity instruments that are not held for trading and certain fixed interest securities, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Prior to 1 July 2021, the Group elected to classify its equity securities and certain fixed interest securities as financial assets at FVOCI as these are strategic investments and the Group considers this classification to be more relevant. From 1 July 2021, the Group has elected to classify its equity securities as financial assets at FVPL due to changes in business operations. Please refer to note 2 for details.

1 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(i) Classification (continued)

The Group has classified its debt financial assets as measured at amortised cost using the effective interest method as both of the following conditions are met:

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

The Group's debt financial assets comprise trade and other receivables.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset at amortised cost, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt financial assets at amortised cost are measured using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

Certain fixed interest securities are subsequently measures at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVPL and FVOCI are not reported separately from other changes in fair value.

Equity instruments

The Group subsequently measures all equity investments at fair value. Prior to 1 July 2021, where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

From 1 July 2021, changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss and other comprehensive income as applicable. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVPL are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iv) Impairment (continued)

For trade receivables and accrued income, the Group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables and accrued income. To measure expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. Accrued income relates to unbilled services delivered to customers and have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued income.

The expected loss rates are based on the payment profiles of revenue over a period of 36 months before 30 June 2022 and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of customers to settle the receivables. The Group has identified that self-managed and plan-managed customers have a higher expected loss rate than other customer groups.

Trade receivables are written off where 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 make contractual payments for a period of greater than 180 days past due and the failure of a debtor to commit to a repayment plan for outstanding debt.

(j) Financial liabilities

Financial liabilities include trade payables, other creditors and accrued liabilities. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. They are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) 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 any accumulated impairment losses.

Properties that are held for strategic purpose or to provide social services and that generate cash inflows where the rental revenue is incidental to the purpose for holding the property, do not meet the definition of investment properties and are classified as properties in accordance with AASB 116.

Freehold land and buildings are initially recorded at cost. Where freehold land and buildings were acquired at no cost or for a nominal amount, cost is deemed to be the fair value at the acquisition date.

Freehold land and commercial buildings

Subsequent to initial recognition, freehold land and commercial buildings are measured at revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

1 Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

Increases in the carrying amounts arising on revaluation of freehold land and commercial buildings are recognised in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Valuations are performed every 3 years by an external qualified valuer.

Land and buildings

Residential land and buildings are stated at historical cost less depreciation.

Plant and equipment and furniture and fittings

Plant and equipment and furniture and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Furniture and fittings include assets received in the form of free office fit outs. These assets are recognised at their fair value and depreciated over the shorter of their useful life or the lease term.

Depreciation

Land is not depreciated.

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their estimated useful lives.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
• Buildings at cost	2.5%	Straight line
• Buildings at valuation	2.5%	Straight line
• Plant and equipment at cost	8-50%	Straight line
• Motor vehicles at cost	15%	Straight line

The Group reviews the assets' estimated useful lives and adjusts, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained surplus.

(l) Intangibles

(i) Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purpose.

1 Summary of significant accounting policies (continued)

(l) Intangibles (continued)

(ii) Software development

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are clearly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation is calculated on a straight-line basis over 3 years, which is the expected benefit of the software, system or licence to the Group from the point in time at which the asset is ready for use.

(iii) Cloud computing arrangements - Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019)
 - this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021)
 - this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group previously capitalised costs incurred in configuring or customising certain suppliers' application software in certain cloud computing arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. Following the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (ratified by the International Accounting Standards Board (IASB) in April 2021), the Group has completed a review of these capitalised costs to determine whether they would need to be expensed or reclassified as prepayments. The value of these costs that were previously capitalised has been now appropriately treated as operating expenses.

1 Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

The recoverable amount is assessed based on the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(n) Biological assets

Avocado and macadamia trees are classified as biological assets and valued in accordance with AASB 116 *Property, Plant and Equipment*. The value of the trees is measured at fair value using a discounted cash flow methodology. Biological assets are assessed for impairment in accordance with note 1(m).

(o) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

1 Summary of significant accounting policies (continued)

(o) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalued its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

(p) Employee benefits

(i) Short-term obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled. All short-term employee benefits including the expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in employee benefits obligations in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The Group has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee turnover and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Long-term employee benefit obligations (continued)

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Defined benefit superannuation plan

A net defined benefit liability is recognised in the consolidated statement of financial position and is measured as the difference between the Group's obligation for employees' defined benefit entitlements at the end of the reporting period and the fair value of plan assets attributable to employees at the same date. The Group's obligation for employees' defined benefit entitlements is calculated at the end of each reporting period by an independent actuary using the projected unit credit method. In determining the Group's obligation for employee's defined benefit entitlements, the actuary discounts the expected future payments attributable to providing the defined benefit entitlements at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee turnover and periods of service.

The periodic cost of providing defined benefit entitlements is disaggregated and accounted for as follows:

- service cost (including current and past service costs and any gains or losses on settlements or curtailments) is recognised in profit or loss in the period in which it arises as part of employee benefits expense;
- interest on the net defined benefit liability is calculated by multiplying the average balance of the liability during the reporting period by the discount rate applied to the defined benefit obligation and is recognised in profit or loss in the period in which it arises as part of finance costs; and
- remeasurements of the net defined benefit liability (including actuarial gains and losses, the return on plan assets less amounts included in the net interest on the net defined benefit liability, and any changes in the limit on the net defined benefit asset (excluding interest) are recognised in other comprehensive income in the periods in which they occur.

(q) Provisions

Provisions for contingent liability and make good obligations are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle that the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

1 Summary of significant accounting policies (continued)

(s) Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Rounding of amounts

The Company is of a kind referred to in ASIC legislative instrument 2016/191, relating to the 'round-off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Changes in accounting policies

During the year, the Group changed its accounting policy in its investments in fixed interest investments and equity instruments ("BT investment portfolio") from subsequently measured at fair value through other comprehensive income (FVOCI) to subsequently measured fair value to profit or loss (FVPL) due to the changes in the Group's business operations.

The change in classifications has the following impact on Group's financial statements:

- Changes in the fair value of BT investment portfolio is recognised in the profit or loss (previously to the FVOCI reserve),
- BT investment portfolio is presented as financial assets at fair value through profit or loss (note 9(a)) (previously presented as financial assets at fair value through other comprehensive income - note 9(b)),
- FVOCI reserve balance at 30 June 2021 amounting to \$690,000 would remain in other comprehensive income in equity.

Management believes the changes in accounting policy would not significantly impact the prior year figures should the changes in the accounting policy occur from 1 July 2020 and therefore the comparative figures have not been restated. There were also no changes in the recognition of dividend and interest income from BT investment portfolio as disclosed in note 1(e).

3 Critical estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Employee benefits provision

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 inflation have been considered.

(b) Defined benefits superannuation plan

In determining the Group's ultimate cost of its defined benefit superannuation plan, actuarial assumptions are required to be made. The principal actuarial assumptions used are disclosed in Note 17.

3 Critical estimates and judgements (continued)

(c) Provision for workers compensation

The Group participates in a Loss Prevention Recovery (LPR) insurance scheme for workers compensation policies over a number of financial years for its employees who are located in New South Wales.

Estimates of the forecast premium payable at the end of each LPR period are based on actual capped claims costs provided by the insurer and extrapolated for each LPR as they mature over 4 years. The extrapolation is derived by applying:

- (i) a weighted average development factor that is calculated based on the triangulation of past 10 years of actual claims costs maintained by the insurer for the second to fourth year respectively of each LPR policy; and
- (ii) an adjustment factor provided by the insurer that is applied to the second to fourth year respectively of each LPR policy.

The Group has further incorporated historical claims and policy experience to determine the estimated provision required for all LPR policies that remain open at the end of the financial reporting period.

(d) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or regulatory changes or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(e) Valuation of property

The Group engages external, independent and qualified valuers to determine the fair value of the Group's freehold land and commercial buildings which are subject to revaluation at least every three years.

The last independent valuation of these freehold land and commercial buildings was performed as at 30 June 2021. The critical assumptions adopted in determining the valuations included the location of the land and buildings, the demand for land and buildings in the area and recent sales data for similar properties.

(f) Expected credit losses (ECL) on trade receivables and accrued income

Loss allowances for trade receivables and accrued income are based on assumptions about risk of default and expected loss rates. The Group has used relevant historical information and loss experience to determine the probability of default and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements, to determine loss allowances.

In determining the ECL of trade receivables, the Group has provided for all trade receivables that are more than 90 days past due, plus 3% of all trade receivables less than 90 days past due as at 30 June 2022. The Group prepared an assessment of historical loss data to assess the loss rate on trade receivables and applied an adjustment against the historical loss rate based on aging of trade receivables to determine expected credit loss.

In determining the ECL of accrued revenue, the Group has provided for all accruals that are more than 90 days and 1% for accruals less than 90 days as at 30 June 2022 based on non-acceptance of manual claims and historical trend in reduction of NDIS funding for shared living during the immediate 12 months up to the reporting date.

As at date of consolidated financial statements, the ECL for trade receivables and accrued income are \$4,981,000 (2021: \$4,173,000).

4 Revenue and other income

	2022 \$'000	2021 \$'000
Revenue		
NDIS Funding	360,092	313,912
Government block funding	65,862	92,343
Service revenue	32,999	32,283
Sale of goods	6,144	5,844
Fundraising appeals	1,226	1,432
Bequest income	802	190
Sundry revenue	333	264
	467,458	446,268
Other income		
Dividend income	484	233
Interest income	292	619
Gain on disposal of property, plant and equipment	145	141
Gain on disposal of right-of-use assets	668	90
(Loss)/profit on sale of shares	(66)	25
Loss on investments measured at fair value through profit or loss	(777)	-
JobKeeper funding	-	31,532
	746	32,640
	468,204	478,908

(a) Disaggregation of revenue from contracts with customers and income recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

The Group recognises revenue from NDIS funding, block funding, and service revenue over time as performance obligations are satisfied, which is as services are rendered, primarily on a daily or monthly basis in accordance with AASB 15 *Revenue from Contracts with Customers*, and recognises at a point in time in accordance with AASB 1058 *Income of Not-for-Profit Entities* as follows:

	Government					
2022	NDIS Funding \$'000	Government block funding \$'000	Service revenue \$'000	Sale of goods \$'000	Other revenue \$'000	Total \$'000
Timing of revenue recognition						
At a point in time	-	-	14,936	6,144	-	21,080
Over time	347,902	65,862	18,063	-	-	431,827
Revenue from external customers	347,902	65,862	32,999	6,144	-	452,907
Income recognised in accordance with AASB 1058						
	12,190	-	-	-	2,361	14,551
Total revenue	360,092	65,862	32,999	6,144	2,361	467,458

4 Revenue and other income (continued)

(a) Disaggregation of revenue from contracts with customers and income recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (continued)

2021	NDIS Funding \$'000	Government block funding \$'000	Service revenue \$'000	Sale of goods \$'000	Other revenue \$'000	Total \$'000
Timing of revenue recognition						
At a point in time	-	-	14,808	5,844	-	20,652
Over time	313,912	92,343	17,475	-	-	423,730
Revenue from external customers	<u>313,912</u>	<u>92,343</u>	<u>32,283</u>	<u>5,844</u>	<u>-</u>	<u>444,382</u>
Income recognised in accordance with AASB 1058	-	-	-	-	1,886	1,886
Total revenue	<u>313,912</u>	<u>92,343</u>	<u>32,283</u>	<u>5,844</u>	<u>1,886</u>	<u>446,268</u>

5 Expenses

Loss before income tax includes the following specific expenses:

	2022 \$'000	2021 \$'000
Cost of sales	5,033	4,838
Impairment loss on trade receivables and accrued income	4,895	1,788
Rental expense on operating leases	3,879	3,635
Depreciation on property, plant and equipment	4,927	5,229
Depreciation on right-of-use assets	7,905	8,541
Amortisation expense	609	558
Total depreciation and amortisation expense	<u>13,441</u>	<u>14,328</u>
Employee benefits expense		
Wages and salaries	299,658	305,735
Superannuation contribution	32,063	30,241
Employee benefits	35,917	37,635
Workers compensation	17,570	15,421
JobKeeper costs	-	5,039
Other employee related expenses (includes agency costs)	20,441	24,630
Total employee benefits expense	<u>405,649</u>	<u>418,701</u>

6 Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash on hand	24	17
Cash at bank	55,466	31,227
At call deposits with financial institutions	58,800	78,535
	<u>114,290</u>	<u>109,779</u>

(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	2022 \$'000	2021 \$'000
Balances as above	<u>114,290</u>	<u>109,779</u>

(b) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of acquisition and are repayable within 24 hours' notice with no loss of interest.

7 Trade receivables and accrued income

	2022 \$'000	2021 \$'000
Trade receivables	24,000	20,504
Accrued income	15,630	16,969
Loss allowance	(4,981)	(4,173)
	<u>34,649</u>	<u>33,300</u>

(a) Classification as trade receivables and accrued income

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current.

Accrued income are unbilled amounts for services delivered in the ordinary course of business. They are generally due to be billed within 30 days of performing the service and are therefore all classified as current.

(b) Loss allowance of trade receivables and accrued income

Movements in the loss allowance were:

	2022 \$'000	2021 \$'000
At 1 July	4,173	5,809
Charge for the year	3,430	60
Amounts written off	(2,622)	(1,696)
At 30 June	<u>4,981</u>	<u>4,173</u>

8 Inventories

	2022	2021
	\$'000	\$'000
Raw materials	301	337
Finished goods	545	502
	846	839

(a) Assigning costs to inventories

For the inventory accounting policy, refer to note 1(h).

(b) Amounts recognised in profit or loss

Inventories recognised in the consolidated statement of profit or loss and other comprehensive income during the financial year ended 30 June 2022 included an expense of \$5,081,000 (2021: \$4,865,000) recognised as raw materials and consumables used and a credit of \$48,000 (2021: \$27,000) recognised as change in inventories of finished goods.

9 Other financial assets

	2022	2021
	\$'000	\$'000
Current assets		
Financial assets at fair value through profit or loss	5,179	-
Non-current assets		
Financial assets at fair value through other comprehensive income	-	5,899

From 1 July 2021, the Group has elected to reclassify its investment in fixed interest investment and equity securities as financial assets at FVPL due to changes in business operations (previously classified as FVOCI). Please refer to note 2 for further details.

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

Financial assets mandatorily measured at FVPL include the following:

	2022	2021
	\$'000	\$'000
At fair value		
Fixed interest investment	814	-
Equity instruments	4,365	-
	5,179	-

9 Other financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Reconciliation of FVPL financial assets

	2022 \$'000	2021 \$'000
Opening balance at 1 July	-	-
Change in financial instrument classification (see note 2)	5,899	-
Additions	1,015	-
Disposals	(958)	-
Change in fair value of investment	(777)	-
Closing balance at 30 June	<u>5,179</u>	-

Fair value measurements

The valuation techniques and key assumptions used in measuring the fair value of financial assets measured at FVPL and FVOCI are as follows:

- Fixed interest investments: These are investments in unlisted Australian Funds. Investments are recorded at the redemption value per unit as reported by the investment managers of such funds.
- Equity instruments: The Group's investments in equity instruments are all listed on the Australian Security Exchange (ASX). Fair value measurements are using quoted market prices in active markets.

(b) Financial assets at fair value through other comprehensive income

Financial assets mandatorily measured at FVOCI include the following:

	2022 \$'000	2021 \$'000
At cost		
Fixed interest investment	-	917
Equity instruments	-	4,982
	<u>-</u>	<u>5,899</u>

Reconciliation of FVOCI financial assets

	2022 \$'000	2021 \$'000
Opening balance at 1 July	5,899	4,712
Change in financial instrument classification (see note 2)	(5,899)	-
Additions	-	780
Disposals	-	(632)
Change in fair value of investment	-	1,039
Closing balance at 30 June	<u>-</u>	<u>5,899</u>

Please refer to note 9(a) for valuation techniques in measuring the fair value of investments at FVOCI.

10 Other current assets

	2022 \$'000	2021 \$'000
Prepayments	4,449	3,289
Investment in term deposits	400	400
Other current assets	4,545	8,657
	9,394	12,346

Included in other current assets is an amount of \$4,124,000 (2021: \$8,248,000) and in other non-current assets of \$nil (2021: \$4,124,000) that relate to a receivable due from the Victorian State Department of Families, Fairness and Housing relating to leave liabilities for transferred employees.

11 Biological assets

	2022 \$'000	2021 \$'000
<i>At fair value</i>		
Macadamia and avocado trees	602	602
Total biological assets	602	602

(a) Significant fair value assumptions

The fair value of avocado and macadamia trees is measured using a financial model based on the following assumptions:

- macadamia trees are expected to bear crops from 7 years to 43 years (2021: 7 years to 43 years),
- avocado trees are expected to bear crops from 3 years to 32 years (2021: 3 years to 32 years),
- expectations in respect of crop bearing are based on historical observations,
- selling prices, direct and overhead costs are based on actual results for the last three years,
- cash flows, expected over five years from existing trees, are discounted at a rate that takes into account the cost of capital plus a suitable risk factor (15%).

12 Intangible assets

	Goodwill \$'000	Internally generated software \$'000	Internally generated software under development \$'000	Total \$'000
At 30 June 2021				
Cost	470	2,576	1,139	4,185
Accumulated amortisation and impairment	(214)	(1,239)	-	(1,453)
Net book amount	<u>256</u>	<u>1,337</u>	<u>1,139</u>	<u>2,732</u>
Year ended 30 June 2022				
Opening net book amount	256	1,337	1,139	2,732
Write-off to P/L	-	(728)	(1,139)	(1,867)
Amortisation charge	-	(609)	-	(609)
Closing net book amount	<u>256</u>	<u>-</u>	<u>-</u>	<u>256</u>
At 30 June 2022				
Cost	470	-	-	470
Accumulated amortisation and impairment	(214)	-	-	(214)
Net book amount	<u>256</u>	<u>-</u>	<u>-</u>	<u>256</u>

13 Property, plant and equipment

	Freehold land \$'000	Commercial buildings \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2021						
Cost	23,595	10,641	33,803	4,402	38,550	110,991
Accumulated depreciation	-	(1,901)	(4,456)	(3,415)	(23,671)	(33,443)
Net book amount	23,595	8,740	29,347	987	14,879	77,548
Year ended 30 June 2022						
Opening net book amount	23,595	8,740	29,347	987	14,879	77,548
Additions	-	16	1,735	64	2,277	4,092
Disposals	-	-	-	-	(19)	(19)
Write-offs	-	-	-	-	(20)	(20)
Depreciation charge	-	(482)	(707)	(541)	(3,197)	(4,927)
Closing net book amount	23,595	8,274	30,375	510	13,920	76,674
At 30 June 2022						
Cost	23,595	10,657	35,538	4,466	40,525	114,781
Accumulated depreciation	-	(2,383)	(5,163)	(3,956)	(26,605)	(38,107)
Net book amount	23,595	8,274	30,375	510	13,920	76,674

Included in land and buildings are:

(i) land and buildings acquired with capital funding which the funding body may have an interest in the property or any proceeds on disposal. The written down value of these assets is \$23,646,000 (2021: \$23,877,000).

(ii) buildings with a total carrying value of \$232,000 (2021: \$255,000) on government gazetted land in respect of which no communication has been received of any plans that would prevent the Group's continued use.

(a) Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's freehold land and commercial buildings at least every 3 years. As at 30 June 2021, an independent valuation was obtained from PP&E Valuations Pty Ltd for all freehold land and commercial buildings. The valuation was prepared to meet the requirements of AASB 116 on a highest and best use basis. The independent valuers used a number of approaches to determine market value including market comparison, income, cost and summation. The valuations were undertaken with a combination of Level 2 and Level 3 inputs as defined under AASB 13 *Fair Value Measurement*. The freehold land and commercial buildings classes of assets were revalued based on the independent valuation. The previous independent valuation of freehold land and commercial buildings was performed as at 30 June 2018.

(b) Property, plant and equipment pledged as security

The Group has bank facilities secured by a first registered mortgage over certain freehold land and buildings of the Group and by a first registered equitable mortgage over all of the Group's assets and undertakings. Refer to Note 20(b) for details of the facilities.

14 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

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

	2022 \$'000	2021 \$'000
Right-of-use assets		
Buildings	21,186	22,146
Vehicles	6,617	8,397
	<u>27,803</u>	<u>30,543</u>
Lease liabilities		
Current	6,886	7,017
Non-current	21,292	24,320
	<u>28,178</u>	<u>31,337</u>

Future lease payments in relation to lease liabilities as at year end are as follows:

	2022 \$'000	2021 \$'000
Within one year	7,546	7,380
Later than one year but not later than five years	20,637	19,722
Later than five years	9,498	11,958
	<u>37,681</u>	<u>39,060</u>

Additions to the right-of-use assets during the 2022 financial year were \$1,632,000 (2021: \$5,273,000) (Note 20(a)).

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

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

	2022 \$'000	2021 \$'000
Depreciation charge of right-of-use assets		
Buildings	4,357	4,513
Vehicles	3,548	4,028
	<u>7,905</u>	<u>8,541</u>
Interest expense (included in finance cost)	1,270	1,419
Expense relating to short-term leases (included in occupancy and motor vehicle expenses)	3,879	3,635

14 Leases (continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, residential properties and motor vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options as described below.

Extension and termination options, and residual value guarantees are included in a number of property leases of the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Lease payments for short-term leases and leases of low-value assets amount to \$3,879,000 (2021: \$3,635,000) are recognised in profit and loss.

15 Trade and other payables

	2022 \$'000	2021 \$'000
<i>Unsecured liabilities</i>		
Trade payables	2,462	6,222
Sundry creditors and accruals	22,933	20,903
	<u>25,395</u>	<u>27,125</u>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The following table shows the carrying amounts of trade and other payables between financial liabilities and non-financial liabilities:

	2022 \$'000	2021 \$'000
Financial liabilities measured at amortised cost	2,462	6,222
Non-financial liabilities	22,933	20,903
	<u>25,395</u>	<u>27,125</u>

16 Employee benefit obligations

	2022			2021		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Leave obligations	57,587	2,045	59,632	64,521	2,217	66,738

Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(p).

17 Provisions

	2022			2021		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Provision for wage obligations (a)	10,959	-	10,959	5,606	-	5,606
Defined pension benefits ((b) - (e))	-	842	842	-	3,577	3,577
Provision for workers compensation (f)	23,228	-	23,228	17,702	-	17,702
Contingent liability (g)	55	-	55	-	2,176	2,176
Restructuring costs (h)	2,724	-	2,724	2,198	-	2,198
Make good provision (i)	704	-	704	520	-	520
	37,670	842	38,512	26,026	5,753	31,779

(a) Provision for wage obligations

The Group recognised \$10.9m provision for underpayment of wages under the Victorian Tipping Foundation & VISTA Enterprise Agreement from 1 July 2017 to November 2020. The provision includes superannuation at 10.5% and penalty interest of 4.6% over the cash rate.

(b) Defined pension benefits

The Group contributes to pooled post-employment defined benefit plans. These pooled funds are held by SAS Trustee Corporation Pooled Fund (the "Fund") which holds in trust the investments of the following closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS);
- Police Superannuation Scheme (PSS); and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit plans as at least one component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All of the Schemes are closed to new members. As at 30 June 2022, there were 12 members (2021: 15).

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- *Investment risk* - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- *Longevity risk* - The risk that pensioners live longer than assumed, increasing future pensions.

17 Provisions (continued)

(b) Defined pension benefits (continued)

- *Pensions indexation risk* - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- *Salary growth risk* - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- *Legislative risk* - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The Fund's assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

An actuarial valuation of the Pooled Fund is performed every three years. The last actuarial valuation was performed as at 30 June 2021. The next actuarial valuation will be performed as at 30 June 2024.

(c) Movement in net defined benefit liability

The Group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one-off contributions. The Group intends to continue to contribute to the defined benefit section of the plan in line with the actuary's latest recommendations.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	Defined benefit obligation \$'000	Fair value of plan assets \$'000	Net defined benefit liability \$'000
Balance as at 30 June 2021	15,853	12,276	3,577
Included in profit or loss	630	310	320
Remeasurement gain included in other comprehensive income	(3,145)	(385)	(2,760)
Contributions paid	104	399	(295)
Benefits paid	(3,195)	(3,195)	-
Balance as at 30 June 2022	<u>10,247</u>	<u>9,405</u>	<u>842</u>

(d) Plan assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

17 Provisions (continued)

(d) Plan assets (continued)

Asset Category	Quoted prices in active markets for Total identical assets		Significant observable inputs	Unobservable inputs
	Level 1 (\$'000)	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
Short Term Securities	5,041,192	1,854,969	3,186,223	-
Australian Fixed Interest	244,972	-	244,972	-
International Fixed Interest	1,439,643	4,287	1,415,027	20,329
Australian Equities	6,518,777	5,893,947	622,584	2,246
International Equities	12,174,407	12,002,063	169,289	3,055
Property	2,362,344	-	-	2,362,344
Alternatives	9,095,720	(637)	2,160,192	6,936,165
Total	36,877,055	19,754,629	7,798,287	9,324,139

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares, listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt, hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

The percentage invested in each class at the reporting date:

	2022 %
As at 30 June	
Short Term Securities	13.7
Australian Fixed Interest	.7
International Fixed Interest	3.9
Australian Equities	17.7
International Equities	33
Property	6.4
Alternatives	24.6
Total	<u>100.0</u>

17 Provisions (continued)

(e) Defined benefits obligation

(i) Actuarial assumptions

The following are principal actuarial assumptions at the reporting date (expressed as weighted average):

At 30 June 2022 the duration of the defined benefit obligations was 8.6 years (2021: 9.9 years).

	2022	2023 onwards
Discount rate	5.21%	5.21%
Future salary growth	3.15%	3.15%
Future pension growth	<u>4.00%</u>	<u>5.50%</u>

Changes to the above actuarial assumptions could increase or decrease the recognised net defined benefit liability in future periods.

(f) Provision for workers compensation

The provision for workers compensation of \$23,228,000 (2021: \$17,702,000) represents workers compensation premiums for a LPR insurance scheme. The Group's participation in a LPR insurance scheme for workers compensation involves the use of estimates as discussed in Note 3(c).

(g) Contingent liability

As part of a merger in 2018, the Group recognised a contingent liability of \$2.17m in respect of a prosecution by Worksafe Victoria for breaches of the 2004 Victorian Occupational Health and Safety Act by Victorian Person Centred Services Limited (VPCS) in 2016. The matter has been settled by the County Court with a final settlement of \$55,000 payment to Fines Victoria. The Group has paid this fine on 18 August 2022.

(h) Restructuring provision

The Board of Directors and executive leadership team approved a plan to streamline management structures to enhance efficiencies and to reduce costs in response to the NDIA reducing participant funding for shared independent living support. As a result, in 2021, approximately 100 roles were identified as redundant. The total estimated staff restructuring cost to be incurred is \$2,198,000. These costs were fully provided for in the 2021 financial reporting period. The provision was fully utilised in the 2022 financial reporting period. In 2022, the Board of Directors and executive leadership team approved a review of Shared Services team overheads to rightsize the non-customer facing teams estimating a staff restructuring cost to be incurred of \$2,878,000 and has been fully provided for in the 2022 financial reporting period.

(i) Make good provision

The Group is required to restore leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term and the useful life of the assets.

17 Provisions (continued)

(j) Movement of provisions

Movements in each class of provision during the financial year are set out below:

2022	Provision for wage obligations \$'000	Defined pension benefits \$'000	Provision for workers compensation \$'000	Contingent liability \$'000	Restructu- ring costs \$'000	Make good provision \$'000	Total \$'000
Carrying amount at start of year	5,606	3,577	17,702	2,176	2,198	520	31,779
Charged/(credited) to profit or loss							
- additional provisions recognised	5,353	-	11,624	-	2,878	184	20,039
- unused amounts reversed	-	-	-	(2,121)	-	-	(2,121)
Amounts used during the year	-	(2,735)	(6,098)	-	(2,352)	-	(11,185)
Carrying amount at end of year	10,959	842	23,228	55	2,724	704	38,512

18 Contract liabilities

	2022 \$'000	2021 \$'000
Unexpended government funding	<u>6,823</u>	<u>8,696</u>

Unexpended government funding represents government funds that have been received where the delivery of services in accordance with the funding agreements have not been delivered or are not scheduled to be delivered until the next financial year.

19 Other reserves and retained surplus

(a) Other reserves

The following table shows a breakdown of the consolidated statement of financial position line item other reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	2022 \$'000	2021 \$'000
Revaluation surplus - property, plant and equipment	5,810	5,810
Defined benefit liability fair value reserve	4,982	2,222
FVOCI reserve	690	690
	<u>11,482</u>	<u>8,722</u>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

The defined benefit liability fair value reserve is used to record movements in fair values of defined benefits liability.

The financial assets at FVOCI reserve is used to record movements in fair values of financial assets classified as FVOCI. From 1 July 2021, the Group has elected to reclassify its investment in fixed interest investment and equity securities as financial assets at FVPL due to changes in business operations. Movements in fair values of financial assets is recognised in profit or loss. Please refer to note 2 for further details.

(b) Retained surplus

Movements in retained surplus were as follows:

	2022 \$'000	2021 \$'000
Balance 1 July	103,315	107,595
Net loss for the year	(3,644)	(4,561)
Transfer from asset revaluation reserves	-	281
Balance 30 June	<u>99,671</u>	<u>103,315</u>

The transfer from asset revaluation reserves of \$nil (2021: \$281,000) during the financial year relates to historical asset balances.

20 Cash flow information

(a) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (Note 14(a))

(b) Credit standby arrangements with banks

	2022 \$'000	2021 \$'000
Overdraft facility	4,000	4,000
Unused credit facility	<u>4,000</u>	<u>4,000</u>

20 Cash flow information (continued)

(b) Credit standby arrangements with banks (continued)

	2022 \$'000	2021 \$'000
Corporate card facility	600	400
Amount utilised	(90)	(139)
Unused credit facility	<u>510</u>	<u>261</u>

The bank facilities are secured by a first registered mortgage over certain freehold land and buildings of the Group and by a first registered equitable mortgage over all the parent entity assets and undertakings.

The corporate card facility is secured by a term deposit.

(c) Contingent liability arrangements with banks

	2022 \$'000	2021 \$'000
Contingent liability facility	500	500
Amount utilised	(323)	(387)
Unused liability facility	<u>177</u>	<u>113</u>

21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Aruma Services:

	2022 \$	2021 \$
PricewaterhouseCoopers Australia		
Audit and other assurance services		
- Audit and review of financial statements *	327,047	245,000
Other services		
- Consulting services	38,244	355,477
- Other services	15,000	14,500
Total remuneration for PricewaterhouseCoopers Australia	<u>380,291</u>	<u>614,977</u>

* Audit fees for 2022 included additional fees for scope changes pertaining to FY21 audit of \$64,047.

22 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in Note 23.

(b) Transactions with key management personnel of the entity or its parent and their personally related entities

Compensation received by key management personnel of the Group

	2022	2021
	\$	\$
Compensation received by key management personnel of the Group		
Short-term employee benefits	2,621,472	2,793,186
Post-employment benefits	153,192	206,146
Other long-term benefits	(9,229)	24,465
Termination benefits	360,057	239,936
	3,125,492	3,263,733

The non-executive Directors of the Company are all unpaid volunteers. The remuneration figures above reflect the benefits applicable to the senior executive team which consists of the most senior management roles, of which there were 8 senior management roles during the year, and 6 as at 30 June 2022 (2021: 6), including the CEO.

Other than remuneration disclosed above, there was one transaction with key management personnel (including directors, close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2022 (2021: \$nil).

During FY22, a services agreement was executed between Candice Charles and Aruma Services. The agreement was for the provision of specialist consulting services from March to June 2022. The amount paid for the services was \$31,500. The transaction was made on normal commercial terms and conditions and at market rates.

There were no loans to key management personnel (including directors, close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2022 (2021: \$nil).

(c) Transactions with other related parties

There were no transactions with related parties during the year.

23 Interests in other entities

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Place of business/ country of incorporation	Ownership interest held by the Group	
			2022 %	2021 %
Aruma Services NSW Limited	Provision of disability services	Australia	100	100
Victorian Person Centred Services Limited	Provision of disability services	Australia	100	100
Aruma Foundation Limited	Provision of disability services	Australia	100	100
Aruma Services Victoria Limited	Provision of disability services	Australia	100	100

24 Contingent liabilities

The Group voluntarily elected to participate in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse. As at the balance sheet date, the Group was unable to determine a sufficiently reliable estimate of potential liability arising from any future claims that may be made against the Group under the Scheme. The Group is not aware of any claims that have been made against it under the Scheme as at the date of this report.

Other than the matters noted in Notes 17(g) and 20(c), the Group has no other material contingent liabilities.

25 Fundraising appeals conducted during the year

The Group has authority to raise funds under the provisions of section 16 of the *NSW Charitable Fundraising Act 1991*. That authority (CFN 13051) remains in force until 11 November 2025.

The Group also has authority to raise funds under the provisions of the *Victorian Fundraising Act 1998*. That authority FR0015060 remains in force until 28 November 2021.

The *Charitable Fundraising Act 1991* and associated regulations prescribe the manner in which fundraising appeals are conducted and reported in NSW. The disclosures below are in accordance with Authority Condition 7, which is issued to the Group under section 19 of the Act.

Fundraising appeals conducted during the financial year included email appeals (Spring and Autumn), and community fundraising activities (including The Bold Move, miscellaneous community fundraisers and corporate volunteering activities). The Group also operates regular giving and a gift-in-wills program.

	2022 \$'000	2021 \$'000
Results of Fundraising Appeals - Net Profit		
Gross proceeds from fundraising appeals	2,043	1,624
Less: Direct costs of fundraising appeals	(801)	(763)
	1,242	861
Comparative Percentages		
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	39.2%	47.0%
Net profit obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	60.8%	53.0%

Cost of fundraising

Only direct costs of fundraising, as required under the Act and associated guidance, have been deducted from gross proceeds to determine the net profit from fundraising appeals.

The Group operates in accordance with the *Australian Charities and Not for profits Commission (ACNC) Governance Standards*, the *Fundraising Institute of Australia (FIA) Code of Practice*, and the *Charitable Fundraising Act 1991*.

26 Events occurring after the reporting period

The Group has marketed for sale of its property located at 49 Blackbutts Road, Belrose on 19 September 2022. The sale is expected to be completed by December 2022.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 47 are in accordance with the *Australian Charities and Not-For-Profits Commission Act 2012*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not for profits Commission Regulation 2013*.



Candice Charles - Chair
Director

Sydney
20 October 2022

Aruma Services
Declaration by CEO in respect of Fundraising Appeals
30 June 2022

I, Dr Martin Lavery CEO of Aruma Services (the "Company"), declare in my opinion:

- (a) The consolidated statement of profit or loss and other comprehensive income and accompanying notes gives a true and fair view of all income and expenditure of the Group with respect to fundraising appeal activities for the financial year ended 30 June 2022;
- (b) The consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2022;
- (c) The provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the Company's authority have been complied with during the year ended 30 June 2022; and
- (d) The internal controls exercised by the Group are appropriate and effective in accounting for all income received.



Dr Martin Lavery - CEO

20 October 2022



Independent auditor's report

To the members of Aruma Services

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aruma Services (the Company) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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 Group in accordance with 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.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Disclosures and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



Report on the Requirements of the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2021

We have audited the financial report of Aruma Services as required by Section 24 of the Charitable Fundraising Act 1991. The directors of the Company are responsible for the preparation and presentation of the financial report in accordance with the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2021. Our responsibility is to express an opinion on the financial report based on our audit.

In our opinion:

- a) The financial report and associated records have been properly kept, during the financial year ended 30 June 2022, in accordance with Sections 20 (1) and 22 (1-2) of the Charitable Fundraising Act 1991 and sections 10 (6) and 11 of the Charitable Fundraising Regulation 2021.
- b) Money received as a result of fundraising appeals conducted during the financial year ended 30 June 2022 has been properly accounted for and applied in accordance with the above-mentioned Act and Regulation.

PricewaterhouseCoopers

PricewaterhouseCoopers

EPenny

Eliza Penny
Partner

Sydney
20 October 2022