

Carino Care Pty Limited and Subsidiaries

Trading as Carino Care

ABN 33 611 126 651

Annual Report - 30 June 2024

Carino Care Pty Limited and Subsidiaries

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30 June 2024

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General information

The financial statements cover Carino Care Pty Limited as a Company consisting of Carino Care Pty Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Carino Care Pty Limited's functional and presentation currency.

Carino Care Pty Limited is a company limited by shares.

Carino Care Pty Ltd subsidiaries include Carino Management Services Pty Ltd, Carino Hospitality Services Pty Ltd, Carino at Oatley Pty Ltd, Carino at Russell Lea Pty Ltd, Carino at Rockdale Pty Ltd and Carino at Sylvania Pty Ltd.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2024. The directors have the power to amend and reissue the financial statements.

Carino Care Pty Limited and Subsidiaries
Directors' report
30 June 2024

The directors present the financial report of Carino Care Pty Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2024.

Directors

The following persons were directors of Carino Care Pty Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr. James Grealy
Tonia Fridlis (appointed on 01 August 2023)
Lorraine Patricia Knight (appointed on 15 November 2023)

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

Review of operations

The loss for the Group after providing for income tax amounted to \$1,409,287 (30 June 2023: \$5,890,682). The loss includes a non-cash impairment of \$2,216,594 (2023: \$4,200,000). The Group generated EBITDA for the year ended 30 June 2024 amounting to \$3,371,433 (2023: EBITDA \$1,251,421). Adjusted EBITDA for the year was of \$3,371,433 (2023: EBITDA of -\$753,283).

The adjusted EBITDA excludes non-cash items being gain or loss on lease modification.

	2024	2023
	\$	\$
Loss after income tax	(1,409,287)	(5,890,682)
- Impairment of bed licences	2,216,594	4,200,000
- Depreciation and amortisation	1,649,337	2,104,484
- Finance costs	914,789	837,619
EBITDA	<u>3,371,433</u>	<u>1,251,421</u>
Adjustments:		
- Gain on lease modification	<u>-</u>	<u>(2,004,704)</u>
Adjusted EBITDA	<u><u>3,371,433</u></u>	<u><u>(753,283)</u></u>

Carino Care Pty Limited and Subsidiaries
Directors' report
30 June 2024

Going Concern

The view of the Board is that the ongoing financial viability of Carino Care is more robust and controlled than expressed by the Audit opinion for the following reasons.

Management

- Carino Care now has a Board including Non-Executive Directors thereby strengthening governance.
- The Executive team and wider management team is strengthened with the appointment of high performing Key Management personnel.

Cash

- At the time of this report cash held in OPEX \$3.5m RAD \$8.5m.
- In FY24 capital purchases less than \$50k expensed via operational expenditure rather than using Refundable Accommodation Deposits (RADs).
- Bed licences have been fully written off, not a cash loss.
- Cash forecast FY25 provided at audit is consistently in net positive position, strengthening over FY24 result.

Lease

- The lease arrangements were renewed for 5+5+5+5 years thereby giving the Board a stronger medium to long term view of the business.

Operational

- Carino Care average AN-ACC is on target with the industry benchmark.
- Staffing has stabilised reducing operational costs and clinical risk.
- The adverse impact of Covid on occupancy and costs are now ameliorated. Noting during Covid occupancy dropped to a floor of 75%, now consistently 96%. This is greater than the sector benchmark published by Stewart Brown.
- FY24, Carino Care 90% completed end to end paperless systems, eliminating manual duplication in Human Resource, Finance and operational functionality. These costs are now ongoing subscription rather than capital requirements.

Quality

- All Homes have full accreditation and average star rating is 4 stars an improvement on prior years and underscoring our confidence in maintaining higher average occupancy moving forward.
- Mandated Care Minute target always met or exceeded in FY24.

Funding Reforms

- The Australian Government is committed to the sustainability of the Aged Care sector.
- The new Aged Care Act before parliament is to ensure the viability of providers. Publications from the Department of Health and Aged Care further indicate the commitment by government to ensure recommendations to sector income streams are implemented, such as:
- Approved provider to retain up to 2% of RAD held per annum for up to 5 years thereby strengthening the balance sheet and cash position.
- Hotelling Supplement to be means tested.
- Daily Accommodation Payments to be indexed biannually on new entrants.
- Maximum room price without regulatory approval to increase to \$750k.
- AN-ACC subsidy to increase to cover Fair Work Commission pay rises.
- Means Tested Non-Clinical Care contribution introduced.
- The Department noted the need for sustainable funding as demand for Aged Care beds increases with an ageing population, stabilizing occupancy in the sector prior years.

Strengthening Viability FY25

Management

- Appointment of 1-2 non-executive directors to strengthen governance.

Cash

- Engaged FiiG securities to invest excess cash held in Term deposits increasing bottom line estimated \$250k per annum.
- Procurement drive on contractors and suppliers with ending contracts to retender ensuring quality of service at market prices.

Operational

- Timely reporting on company metrics to pivot and facilitate best practice in care and finance.

Quality

- Continued focus on service delivery to the Strategic Plan.
- Embedding the key role of Quality and Education Manager.
- Promoting Consumer Voice, Dining Experience and Enablement Programs.

Conclusion

In conclusion, while the audit report raises concerns over material uncertainty, the Board maintains that Carino Care's financial position and operational outlook are considerably more secure.

The combination of strengthened governance, positive cash flow, stable lease agreements, operational improvements, and compliance with sector benchmarks proves Carino Care can and will continue to operate.

Furthermore, Government reforms aimed at ensuring the long-term viability of the sector, along with Carino Care's strategic initiatives, reinforce the Board's belief that the company has a sustainable future.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Principal activities

The Group's principal activity of the Company during the financial year was the provision of residential aged care services in Australia. There were no significant changes in the activities of the Company during the financial year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Carino Care Pty Limited and Subsidiaries
Directors' report
30 June 2024

Shares under option

There were no unissued ordinary shares of Carino Care Pty Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Carino Care Pty Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

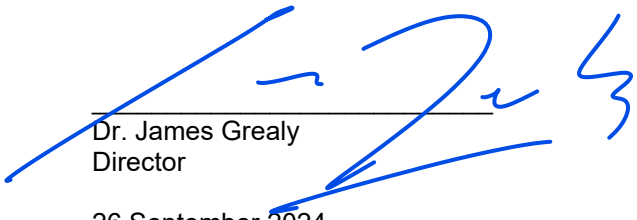
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this directors' report.

This report is made in accordance with a resolution of the director.

On behalf of the director



Dr. James Greal
Director

26 September 2024

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTOR OF CARINO CARE PTY LIMITED AND CONTROLLED ENTITIES**

We declare that to the best of our knowledge and belief during the year ended 30 June 2024 there have been no contraventions of.

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- ii. any applicable code of professional conduct in relation to the audit.



Walker Wayland NSW
Chartered Accountants



Wali Aziz
Partner

Dated this 26th day of September 2024, Sydney

Carino Care Pty Limited and Subsidiaries
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Revenue from continuing operations	3	29,798,429	22,554,184
Expenses			
Employee benefits expenses	4	(19,978,511)	(14,403,641)
Impairment of bed licenses	11	(2,216,594)	(4,200,000)
Depreciation and amortisation	10,21	(1,649,337)	(2,104,484)
Finance costs	4	(1,271,056)	(1,045,031)
Other expenses	4	(6,092,218)	(6,691,710)
Total expenses		<u>(31,207,716)</u>	<u>(28,444,866)</u>
Loss before income tax expense		(1,409,287)	(5,890,682)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Carino Care Pty Limited		(1,409,287)	(5,890,682)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Carino Care Pty Limited		<u>(1,409,287)</u>	<u>(5,890,682)</u>

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

Carino Care Pty Limited and Subsidiaries
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	9,357,588	5,383,993
Trade and other receivables	7	1,961,669	8,374,102
Other assets	8	161,923	150,973
Total current assets		<u>11,481,180</u>	<u>13,909,068</u>
Non-current assets			
Property, plant and equipment	10	732,873	1,086,401
Right-of-use asset	21	19,653,599	13,991,744
Intangibles	11	94,962	2,170,704
Total non-current assets		<u>20,481,434</u>	<u>17,248,849</u>
Total assets		<u>31,962,614</u>	<u>31,157,917</u>
Liabilities			
Current liabilities			
Trade and other payables	12	1,520,131	2,346,064
Provisions	13	1,322,559	1,655,445
Lease liabilities	22	610,782	802,390
Borrowings	14	1,696,833	1,031,502
Other liabilities	15	32,319,602	35,922,937
Total current liabilities		<u>37,469,907</u>	<u>41,758,338</u>
Non-current liabilities			
Provisions	13	332,400	124,484
Lease liabilities	22	20,986,273	14,691,774
Total non-current liabilities		<u>21,318,673</u>	<u>14,816,258</u>
Total liabilities		<u>58,788,580</u>	<u>56,574,596</u>
Net liabilities		<u>(26,825,966)</u>	<u>(25,416,679)</u>
Equity			
Issued capital	16	100	100
Accumulated losses	17	(26,826,066)	(25,416,779)
Total deficiency in equity		<u>(26,825,966)</u>	<u>(25,416,679)</u>

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

Carino Care Pty Limited and Subsidiaries
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	Issued capital \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2022	100	(19,526,097)	(19,525,997)
Loss after income tax expense for the year	-	(5,890,682)	(5,890,682)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(5,890,682)	(5,890,682)
Balance at 30 June 2023	<u>100</u>	<u>(25,416,779)</u>	<u>(25,416,679)</u>

Consolidated	Issued capital \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	100	(25,416,779)	(25,416,679)
Loss after income tax expense for the year	-	(1,409,287)	(1,409,287)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(1,409,287)	(1,409,287)
Balance at 30 June 2024	<u>100</u>	<u>(26,826,066)</u>	<u>(26,825,966)</u>

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

Carino Care Pty Limited and Subsidiaries
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers including government subsidies		32,260,476	24,564,988
Payments to suppliers and employees		(29,780,964)	(22,952,120)
Interest received		356,267	168,560
Interest and other finance costs paid		<u>(94,532)</u>	<u>(207,412)</u>
Net cash from operating activities	9	<u>2,741,247</u>	<u>1,574,016</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(323,956)	(259,383)
Payment for intangibles	11	(140,852)	-
Proceed from disposal of intangibles	11	<u>-</u>	<u>1,000</u>
Net cash used in investing activities		<u>(464,808)</u>	<u>(258,383)</u>
Cash flows from financing activities			
Net proceeds of RAD's, RAC's and accommodation bonds		2,739,166	(294,950)
Net proceeds of related party loans		665,331	(649,582)
Payments for lease liabilities		<u>(1,707,341)</u>	<u>(1,167,870)</u>
Net cash from/(used in) financing activities		<u>1,697,156</u>	<u>(2,112,402)</u>
Net increase/(decrease) in cash and cash equivalents		3,973,595	(796,769)
Cash and cash equivalents at the beginning of the financial year		<u>5,383,993</u>	<u>6,180,762</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>9,357,588</u></u>	<u><u>5,383,993</u></u>

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

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies

The material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The Group has incurred a loss after tax of \$1,409,287 (30 June 2023: loss of \$5,890,682). The Group has generated operating cash inflows of \$2,741,247 (30 June 2023: cash inflows of \$1,574,016). As at 30 June 2024, the Group was in a net current asset deficiency of \$25,988,727 (30 June 2023: deficiency of \$27,849,270). Current liabilities include the Refundable Accommodation Deposit ("RAD") liabilities of \$32,319,602 (30 June 2023: \$35,922,937) as disclosed in note 15. The Group has cash and cash equivalents of \$9,357,588 as at 30 June 2024.

The Group is faced by a number of key challenges and risks that it is managing on an on-going basis namely:

- Increasing compliance requirements requiring managers to absorb significant additional workload;
- RAD liquidity risks;
- Ability to generate positive cash flows from operational activities particularly higher occupancy; and
- Increased aged care minimum annual wage.

These matters above collectively give rise to material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The continuing viability of the Group and its ability to meet its debts and commitments as they fall due is dependent upon the Group being successful in the following areas:

- Generating positive cash flows from the aged care operational activities at each of the 4 facilities;
- Repayment of RAD liabilities for departing or deceased aged care residents in the required time frame (i.e. as and when they depart); and
- Maintaining high occupancy rates.

Notwithstanding the above the group generated positive EBITDA for FY2024 of \$3.4M which is a reflection of the increase in occupancy rates.

The view of the Board is that the ongoing financial viability of Carino Care is more robust and controlled than expressed by the Audit opinion for the following reasons:

Management

- Carino Care now has a Board including Non-Executive Directors thereby strengthening governance.
- The Executive team and wider management team is strengthened with the appointment of high performing Key Management personnel.

Cash

- At the time of this report cash held in OPEX \$3.5m RAD \$8.5m.
- In FY24 capital purchases less than \$50k expensed via operational expenditure rather than using Refundable Accommodation Deposits (RADs).
- Bed licences have been fully written off, not a cash loss.
- Cash forecast FY25 provided at audit is consistently in net positive position, strengthening over FY24 result.

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- The lease arrangements were renewed for 5+5+5+5 years thereby giving the Board a stronger medium to long term view of the business.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Operational

- Carino Care average AN-ACC is on target with the industry benchmark.
- Staffing has stabilised reducing operational costs and clinical risk.
- The adverse impact of Covid on occupancy and costs are now ameliorated. Noting during Covid occupancy dropped to a floor of 75%, now consistently 96%. This is greater than the sector benchmark published by Stewart Brown.
- FY24, Carino Care 90% completed end to end paperless systems, eliminating manual duplication in Human Resource, Finance and operational functionality. These costs are now ongoing subscription rather than capital requirements.

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- All Homes have full accreditation and average star rating is 4 stars an improvement on prior years and underscoring our confidence in maintaining higher average occupancy moving forward.
- Mandated Care Minute target always met or exceeded in FY24.

Funding Reforms

- The Australian Government is committed to the sustainability of the Aged Care sector.
- The new Aged Care Act before parliament is to ensure the viability of providers. Publications from the Department of Health and Aged Care further indicate the commitment by government to ensure recommendations to sector income streams are implemented, such as:
 - Approved provider to retain up to 2% of RAD held per annum for up to 5 years thereby strengthening the balance sheet and cash position.
 - Hotelling Supplement to be means tested.
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 - Maximum room price without regulatory approval to increase to \$750k.
 - AN-ACC subsidy to increase to cover Fair Work Commission pay rises.
 - Means Tested Non-Clinical Care contribution introduced.
- The Department noted the need for sustainable funding as demand for Aged Care beds increases with an ageing population, stabilizing occupancy in the sector prior years.

Strengthening Viability FY25

Management

- Appointment of 1-2 non-executive directors to strengthen governance.

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- Engaged FiiG securities to invest excess cash held in Term deposits increasing bottom line estimated \$250k per annum.
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- Embedding the key role of Quality and Education Manager.
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Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Conclusion

In conclusion, while the audit report raises concerns over material uncertainty, the Board maintains that Carino Care's financial position and operational outlook are considerably more secure.

The combination of strengthened governance, positive cash flow, stable lease agreements, operational improvements, and compliance with sector benchmarks proves Carino Care can and will continue to operate.

Furthermore, Government reforms aimed at ensuring the long-term viability of the sector, along with Carino Care's strategic initiatives, reinforce the Board's belief that the company has a sustainable future.

Management have prepared detailed cash flow forecasts for the Group and a detailed business plan, which indicates an improvement in operational performance resulting from operating the 4 aged care facilities, along with meeting the required compliance measures pursuant to the Aged Care Act.

Accordingly, the director continue to work towards positive outcomes in the matters referred to above and believe that the Group will be in a position to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

Accordingly, the financial report has been prepared on a going concern basis. In the event that the Group does not achieve the conditions stated by the director, the ability of the Group to continue as a Going Concern may be impacted and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report. No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Group not continue as going concerns.

Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared on historical cost basis, unless otherwise stated.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

Principles of consolidation

This financial report includes the consolidated financial statements and notes for the consolidated entity consisting of Carino Management Services Pty Ltd, Carino Hospitality Services Pty Ltd, Carino at Oatley Pty Ltd, Carino at Russell Lea Pty Ltd, Carino at Rockdale Pty Ltd, Carino at Sylvania Pty Ltd and Carino Care Pty Ltd, as the accounting parent.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Company only. Supplementary information about the parent entity is disclosed in note 30.

Revenue recognition

The Company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Government revenue

Government revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents and other Government incomes.

Revenue is recognised over time as services are provided. Funding claims are submitted/updated daily and Government revenue is usually payable with approximately one month of services having been performed.

Resident

Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.

Other resident

Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income.

Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.

Other operating

Other operating revenue comprises aged care bond retention amounts and other sundry revenue. Revenue is recognised over time as services are provided. Residents are typically invoiced on a monthly basis and revenue is usually payable within 30 days.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Material accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
Office furniture and equipment	2-10 years
Motor vehicles	3 years
Leasehold improvements	Lease term

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Intangible assets

Indefinite life intangible assets are not amortised and are measured at cost less any impairment. The gain or loss recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Bed licences

Bed licences are classified as intangible assets with indefinite useful life. Bed licences are measured at fair value as at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Bed licences are tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Prior to 1 October 2021, bed licences for aged care facilities were assessed as having an indefinite useful life as they were issued for an unlimited period and therefore were not amortised. Following on the government announcement in 2021 that the residential aged care bed licence and the Aged Care Approval Rounds will be abolished from 1 July 2024, the carrying amount of bed licences are impaired annually until the full balance of the bed licence is derecognised as at 30 June 2024.

Impairment testing of bed licences

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Accommodation Bonds

Liabilities are recorded in respect of accommodation bonds received by residents who were admitted to low care accommodation prior to 1 July 2014. The recorded amount represents the amounts received less any retention and interest amount due in accordance with the terms of the bond agreement in compliance with the Aged Care Act 1997 (Cth). The retention amount is calculated based on the entry anniversary date each month. Accommodation bond liabilities are classified as current liabilities as the entity does not have the unconditional right to defer settlement for at least 12 months after the reporting date. The obligation to settle could occur at any time.

Refundable Accommodation Deposits (RADs)

Liabilities are recorded in respect of RADs received by residents upon their admission after 1 July 2014. The carrying amount represents the amount received from residents. RADs are classified as current liabilities as the entity does not have the unconditional right to defer settlement for at least 12 months after the reporting date. The obligation to settle could occur at any time.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 1. Material accounting policies (continued)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings; and
- interest on hire purchases contracts.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policies (continued)

Tax Consolidation

Effective 1 July 2018, for the purpose of income taxation, Carino Care Pty Limited and its 100% owned subsidiaries have joined an existing tax consolidated group. Slainte Group Limited is the head entity of the tax consolidated group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit loss is estimated based on the analysis of aged receivables, as the Group assumes that the credit risk on resident debtors increases significantly if it is more than 90 days past due, as based on assumptions made on forward-looking information.

Estimation of useful lives of assets

The Company 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 some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of bed licences

Bed licences are measured at fair value as at the date of acquisition (August 2018). Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses. Bed licences are tested for impairment annually as at 30 June or when there is an objective indication of impairment. In its response to the Royal Commission into Aged Care Quality and Safety, the Federal Government has indicated that it will aim to end the Aged Care Approvals Round (ACAR) process by July 2024 and remove the system of aged care providers controlling resident places, instead transferring them to residents themselves. In the event that this occurs, the bed licences will have a remaining expected life and a residual value. Therefore, the Group will have to derecognise the bed licences in an appropriate manner in line with Australian Accounting Standards. Although the announcement by the Federal Government is preliminary and unsubstantive in nature as at 30 June 2022, Management has made an impairment assessment by considering the impact of the change in the ACAR process by July 2024 with respect to the remaining expected life of the Group's bed licences along with various other assumptions. As a result of Management's assessment, a non-cash impairment of \$2,216,594 (2023: \$4,200,000) has been recognised against the carrying value of the bed licences as at 30 June 2024.

Management has applied significant judgement in determining and applying these assumptions within its impairment review model, taking into account past performance, current and forecasted occupancy rates at all four facilities, based upon available data.

AASB 16 Lease Accounting

AASB 16 Leases has been applied since 1 July 2019 and an assessment of the probability of taking up the option period on the 4 trading premises leases has been considered probable, accordingly the right of use asset and lease liability include the option period lease payments. Notional interest in the lease liability has been estimated using an incremental borrowing rate.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Going concern basis of accounting

The main judgment made by the management is the going concern assumption, as disclosed in Note 1.

Note 3. Revenue from continuing operations

	Consolidated	
	2024	2023
	\$	\$
From continuing operations		
<i>Operating activities</i>		
Government benefits	22,497,767	16,099,835
Resident based daily fee revenue	<u>5,597,856</u>	<u>5,548,636</u>
	<u>28,095,623</u>	<u>21,648,471</u>
<i>Other revenue</i>		
Interest received	356,267	168,560
Other revenue	<u>1,346,539</u>	<u>737,153</u>
	<u>1,702,806</u>	<u>905,713</u>
Revenue from continuing operations	<u><u>29,798,429</u></u>	<u><u>22,554,184</u></u>

Revenue of \$5,597,856 was recognized at a point in time, while \$22,497,767 was recognized over time.

Other revenue includes the following material transactions:

- Included in the other income of \$1,346,539 (30 June 2023: \$737,153) was \$821,833 of COVID-19 Aged Care Support Grant income.

Note 4. Expenses

	Consolidated	
	2024	2023
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest paid	94,532	207,412
Finance costs	<u>1,176,524</u>	<u>837,619</u>
	<u>1,271,056</u>	<u>1,045,031</u>
<i>Employee benefits expenses</i>		
Salary and wages	20,059,517	13,176,517
Superannuation contributions	<u>(81,006)</u>	<u>1,227,124</u>
	<u>19,978,511</u>	<u>14,403,641</u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 4. Expenses (continued)

<i>Other expenses</i>		
Cleaning, laundry supplies, and contractors	1,305,735	1,147,965
Food purchases	806,650	827,166
Administration expenses	797,678	395,603
Head Office management fees	746,187	918,633
Computer, telephone, and internet expenses	518,060	478,833
Repairs and maintenance	408,827	457,582
Resident health expenses	386,355	311,746
Electricity, gas, water, and rates	326,975	296,073
Insurance and workers compensation	310,205	625,567
Allied health expenses	262,555	859,462
Accounting and audit fees	99,725	104,203
Legal fees	60,200	34,071
Property outgoings (i)	1,886	4,493
Bad debt expenses - provision	61,180	(13,887)
Consultancy fees (external)	-	152,212
Advertising expenses	-	61,372
Compliance costs	-	30,616
	<u>6,092,218</u>	<u>6,691,710</u>

- (i) Property outgoings relate to variable rent payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right of-use asset as permitted under AASB 16 Leases. These related payments are recognised as an expense in profit or loss.

Note 5. Income tax

	Consolidated	
	2024	2023
	\$	\$
<i>Income tax</i>		
Deferred tax – origination and reversal of temporary tax	-	-
Current tax	-	-
Adjustment recognised for prior periods	-	-
Aggregate income tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Tax losses have not been brought to account as the Company is part of the Slainte Group Pty Ltd tax consolidated group.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 6. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash on hand	1,587	7,971
Cash at bank	5,708,196	1,876,022
Term deposit (i)	3,647,805	3,500,000
	<u>9,357,588</u>	<u>5,383,993</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as per statement of cash flows	<u>9,357,588</u>	<u>5,383,993</u>

(i) The term deposit has a maturity date of 28 October 2024, earning interest of 4.20%.

Note 7. Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Resident debtors	342,587	490,612
Less: Allowance for expected credit losses	(283,887)	(303,025)
	<u>58,700</u>	<u>187,587</u>
Accommodation bond debtors	955,000	7,297,501
GST and PAYG receivable	947,969	163,497
Loan to related party – Tierra Health Pty Ltd	-	19,579
Other receivables	-	680,565
Interest receivable	-	25,373
	<u>1,961,669</u>	<u>8,374,102</u>

(i) In prior year, the Group recorded \$617,744 of COVID-19 Aged Care Support Income owed by the Australian Government. This was fully collected during the year.

Allowance for expected credit losses

The Company has recognised a loss of nil (2023: nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
	rate	rate	\$	\$	\$	\$
	%	%				
Not overdue	-	-	(87,389)	111,297	-	-
0 to 3 months overdue	40%	38%	237,953	122,376	91,864	46,086
3 to 6 months overdue	100%	-	192,023	-	192,023	-
Over 6 months overdue	-	100%	-	256,939	-	256,939
			<u>342,587</u>	<u>490,612</u>	<u>283,887</u>	<u>303,025</u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 7. Trade and other receivables (continued)

The movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024	2023
	\$	\$
Opening balance	303,025	471,343
Receivables written off during the year as uncollectable	<u>(19,138)</u>	<u>(168,318)</u>
Closing balance	<u><u>283,887</u></u>	<u><u>303,025</u></u>

Terms and conditions of related party

The loan to related party is unsecured, interest free and repayable on demand.

Note 8. Other assets

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Prepayments	<u>161,923</u>	<u>150,973</u>

Note 9. Reconciliation of loss after income tax to net cash (used in)/from operating activities

	Consolidated	
	2024	2023
	\$	\$
Loss after income tax expense for the year	(1,409,287)	(5,890,682)
Adjustments for:		
Depreciation	1,649,338	2,104,484
Doubtful debt expense/(recovery)	61,180	(13,887)
Impairment of bed licences	2,216,594	4,200,000
Government grant income	-	(617,744)
Interest expense on lease liability	1,176,524	837,619
Change in operating assets and liabilities:		
Decrease in trade and other receivables	8,752	632,261
Decrease in other current assets	(10,950)	(3,414)
Decrease in trade and other payables	(825,934)	(120,891)
Decrease/(increase) in provisions	<u>(124,970)</u>	<u>446,270</u>
Net cash from operating activities	<u><u>2,741,247</u></u>	<u><u>1,574,016</u></u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 10. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	677,727	677,727
Less: Accumulated depreciation	<u>(429,550)</u>	<u>(401,779)</u>
	<u>248,177</u>	<u>275,948</u>
Plant and equipment - at cost	4,158,394	4,031,415
Less: Accumulated depreciation	<u>(3,959,145)</u>	<u>(3,665,111)</u>
	<u>199,249</u>	<u>366,304</u>
Fixtures and fittings - at cost	1,389,994	1,239,609
Less: Accumulated depreciation	<u>(1,104,547)</u>	<u>(810,513)</u>
	<u>285,447</u>	<u>429,096</u>
Motor vehicles - at cost	220,648	220,648
Less: Accumulated depreciation	<u>(220,648)</u>	<u>(205,595)</u>
	<u>-</u>	<u>15,053</u>
	<u><u>732,873</u></u>	<u><u>1,086,401</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Furniture and fittings \$	Motor vehicle \$	Total \$
Balance at 1 July 2022	260,994	1,049,448	496,615	59,183	1,866,240
Additions	59,345	36,144	163,894	-	259,383
Depreciation expense	<u>(69,984)</u>	<u>(552,344)</u>	<u>(370,302)</u>	<u>(46,592)</u>	<u>(1,039,222)</u>
Balance at 30 June 2023	250,355	533,248	290,207	12,591	1,086,401
Additions	-	126,979	143,084	-	270,063
Depreciation expense	<u>(27,772)</u>	<u>(289,194)</u>	<u>(294,034)</u>	<u>(12,591)</u>	<u>(623,591)</u>
Balance at 30 June 2024	<u><u>222,583</u></u>	<u><u>371,033</u></u>	<u><u>139,257</u></u>	<u><u>-</u></u>	<u><u>732,873</u></u>

Note 11. Intangibles

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Software implementation - at cost	<u>94,962</u>	<u>51,812</u>
Bed licenses - at cost	14,718,892	14,718,892
Less: Accumulated impairment	<u>(12,600,000)</u>	<u>(12,600,000)</u>
Less: Impairment	<u>(2,118,892)</u>	<u>-</u>
	<u>-</u>	<u>2,118,892</u>
	<u><u>94,962</u></u>	<u><u>2,170,704</u></u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 11. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software \$	Bed licences \$	Total \$
Balance at 1 July 2022	52,812	6,318,892	6,371,704
Disposals	(1,000)	-	(1,000)
Impairment of assets	-	(4,200,000)	(4,200,000)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	51,812	2,118,892	2,170,704
Additions	43,150	97,702	140,852
Impairment of assets	-	(2,216,594)	(2,216,594)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2024	<u>94,962</u>	<u>-</u>	<u>94,962</u>

The facility had 236 approved places during the year.

Bed licences are measured at fair value as at the date of acquisition (August 2018). Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses. Bed licences are tested for impairment annually as at 30 June or when there is an objective indication of impairment. Following on the government announcement in 2021 that the residential aged care bed licence and the Aged Care Approval Rounds will be abolished from 1 July 2024, the remaining carrying amount of the bed licences has been fully impaired during the year.

Note 12. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	690,340	1,259,463
Other payables	829,791	1,086,601
	<hr/>	<hr/>
	<u>1,520,131</u>	<u>2,346,064</u>

Note 13. Provisions

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Annual leave	962,056	1,047,704
Long service leave	360,503	607,741
	<hr/>	<hr/>
	<u>1,322,559</u>	<u>1,655,445</u>
<i>Non-current liabilities</i>		
Long service leave	<hr/>	<hr/>
	332,400	124,484
	<hr/>	<hr/>
	<u>1,654,959</u>	<u>1,779,929</u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 14. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Loans from Tierra Health Pty Ltd	1,696,833	1,031,502
	<u>1,696,833</u>	<u>1,031,502</u>

Terms and conditions of related parties

The loans from related parties are unsecured, interest free and repayable on demand.

Note 15. Other liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Refundable accommodation bonds (RADs)	32,319,602	35,922,937
	<u>32,319,602</u>	<u>35,922,937</u>

Accommodation bonds and RADs are considered current liabilities as they are required to be re-paid to residents within 14 days of leaving the facility. However, there is minimal likelihood that all residents will exit the facility at once and the director is satisfied that lump sum accommodation monies repaid for the Aged Care Facility will be replaced by lump sum accommodation monies from new incoming residents. Sufficient liquidity is maintained by the Company to cover these liabilities.

Note 16. Issued capital

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1</u>	<u>1</u>	<u>100</u>	<u>100</u>

Ordinary shares

The rights, privileges and conditions attaching to ordinary shares are as follows:

- (1) They shall confer to the holders thereof the right to receive notice of and to attend any meeting of the Company's Members and to exercise one vote for every share held;
- (2) They shall confer to the holders thereof the right to participate in any dividends declared and payable by the Company; and
- (3) Upon a winding up of the Company they shall confer to the holders thereof the right to repayment of capital paid upon such shares and to participate in any distribution of surplus assets or profits of the Company.

Note 17. Accumulated losses

	Consolidated	
	2024	2023
	\$	\$
Accumulated losses at the beginning of the financial year	(25,416,779)	(19,526,097)
Loss after income tax expense for the year	<u>(1,409,287)</u>	<u>(5,890,682)</u>
Accumulated losses at the end of the financial year	<u>(26,826,066)</u>	<u>(25,416,779)</u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 18. Capital management

Management controls the capital of the Company to ensure that adequate cash flows are generated to fund operations. Management ensures that the overall risk management strategy is in line with this objective and the prudential requirements of the Aged Care Act 1997.

Management effectively manages the Company's capital by assessing the entity's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes to the strategy adopted by management to control the capital of the Company since the beginning of the year.

Note 19. Related party transactions

Parent entity

Slainte Group Pty Ltd owns 100% shares in the below subsidiaries:

- Tierra Health Pty Ltd
- Carino Care Pty Ltd

Ultimate controlling party

Carino Care Pty Ltd owns 100% of shares in the below subsidiaries:

- Carino Management Services Pty Ltd
- Carino Hospitality Services Pty Ltd
- Carino at Oatley Pty Ltd
- Carino at Russell Lea Pty Ltd
- Carino at Rockdale Pty Ltd
- Carino at Sylvania Pty Ltd

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
<i>Payment made on behalf of related party</i>		
Loan to Slainte Group Pty Ltd (note 7)	-	19,579
<i>Payment for goods and services</i>		
Loan from Tierra Health Pty Ltd (note 14)	1,696,833	1,031,502
<i>Management fees and compliance costs paid to related entities</i>		
Management fees paid to Tierra Health Pty Ltd	887,532	918,633
Compliance costs paid to Tierra Health Pty Ltd	-	-
Technology services paid to Mint Moments Pty Ltd, a director related entity (Tom Grealy)	105,300	35,100

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 20. Key management personnel disclosures

The totals of remuneration paid to the key management personnel are as follows:

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 20. Key management personnel disclosures (continued)

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	<u>591,323</u>	<u>305,072</u>

Note 21. Right-of-use asset

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Right-of-use asset - at cost	25,140,555	18,506,847
Less: Accumulated amortisation	<u>(5,486,956)</u>	<u>(4,515,103)</u>
	<u>19,653,599</u>	<u>13,991,744</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Right-of-use asset \$
Balance at 1 July 2022	14,119,233
Additions	937,773
Amortisation expense	<u>(1,065,262)</u>
Balance at 30 June 2023	13,991,744
Additions	6,633,708
Amortisation expense	<u>(971,853)</u>
Balance at 30 June 2024	<u>19,653,599</u>

Note 22. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>610,782</u>	<u>802,390</u>
<i>Non-current liabilities</i>		
Lease liability	<u>20,986,273</u>	<u>14,691,774</u>
	<u>21,597,055</u>	<u>15,494,164</u>

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 22. Lease liabilities (continued)

	Consolidated	
	2024	2023
	\$	\$
<i>Maturity analysis:</i>		
Less than 12 months	610,782	802,390
Between one to five years	3,596,758	4,959,595
Greater than five years	<u>17,389,515</u>	<u>9,732,179</u>
Carrying amount at 30 June	<u><u>21,597,055</u></u>	<u><u>15,494,164</u></u>

Note 23. Financial instruments

The Company's financial instruments consist mainly of trade and other payables, accommodation bonds, refundable accommodation deposits (RADs) and loans with related parties. The financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company has no formal set policies to manage exposure to interest rate fluctuations, the Company accepts those set by market. The Company does not engage in any significant transactions which are speculative in nature.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and prices.

Financial instruments affected by market risk include cash, loans and borrowings and RADs and accommodation bonds and derivatives. Market risk is managed and monitored using sensitivity analysis and minimised through ensuring that all operational activities are undertaken in accordance with established internal and external guidelines, financing and investment strategies of the Group.

Interest rate risk

Interest rate risk is managed as the interest rate is fixed.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

This risk is controlled through monitoring forecast cash flows and ensuring adequate access to financial instruments that are readily convertible to cash and through operations. In addition, the Group maintains sufficient cash and cash equivalents to meet normal operating requirements. As required under the Aged Care Act 1997, the Group maintains a liquidity management strategy to ensure that the Group has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to be refunded as and when they fall due. Maturity analysis of financial assets and liabilities are as follows:

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 23. Financial instruments (continued)

	1 to 12 months \$	1 to 5 years \$	More than 5 years \$	Total \$
Consolidated - 2024				
<i>Financial assets</i>				
Cash and cash equivalents	9,357,588	-	-	9,357,588
Trade and other receivables	1,961,669	-	-	1,961,669
	<u>11,319,257</u>	<u>-</u>	<u>-</u>	<u>11,319,257</u>
<i>Financial liabilities</i>				
Trade payables and other liabilities	(1,520,131)	-	-	(1,520,131)
RAD/RAC and accommodation bonds refundable	(32,319,602)	-	-	(32,319,602)
Loans from related parties	(1,696,833)	-	-	(1,696,833)
Lease liabilities	(610,782)	(3,596,758)	(17,389,515)	(21,597,055)
	<u>(36,147,348)</u>	<u>(3,596,758)</u>	<u>(17,389,515)</u>	<u>(57,133,621)</u>
Net exposure	<u>(24,828,091)</u>	<u>(3,596,758)</u>	<u>(17,389,515)</u>	<u>(45,814,364)</u>
	1 to 12 months \$	1 to 5 years \$	More than 5 years \$	Total \$
Consolidated - 2023				
<i>Financial assets</i>				
Cash and cash equivalents	5,383,993	-	-	5,383,993
Trade and other receivables	8,374,102	-	-	8,374,102
	<u>13,758,095</u>	<u>-</u>	<u>-</u>	<u>13,758,095</u>
<i>Financial liabilities</i>				
Trade payables and other liabilities	(2,346,064)	-	-	(2,346,064)
RAD/RAC and accommodation bonds refundable	(35,922,937)	-	-	(35,922,937)
Loans from related parties	(1,031,502)	-	-	(1,031,502)
Lease liabilities	(802,390)	(4,959,595)	(9,732,179)	(15,494,164)
	<u>(40,102,893)</u>	<u>(4,959,595)</u>	<u>(9,732,179)</u>	<u>(54,794,667)</u>
Net exposure	<u>(26,344,798)</u>	<u>(4,959,595)</u>	<u>(9,732,179)</u>	<u>(41,036,572)</u>

Note 24. Commitments

The Group has commercial property leases for four aged care homes in New South Wales. These property leases are non-cancellable leases with terms up to 5 years and with options to renew for another 10 years. Following the adoption of AASB 16 Leases on 1 July 2019, all operating leases have been recognised in the Statement of Financial Position as Right of use assets with their respective corresponding lease liabilities. There are no operating lease commitments as at 30 June 2024.

Note 25. Contingent assets and liabilities

Other than the guarantee documented at note 15 of the financial statements, no contingent liabilities and contingent assets existed at 30 June 2024.

Note 26. Economic dependency

The Company is dependent upon its related party loans, detailed in note 19. The Company has received letters of comfort from these related entries and loan repayment will not be required within the next 12 months. The related parties consent to future use of funds as required to ensure sufficient cash flow is available as required. The Company is also dependent on Government funding.

Carino Care Pty Limited and Subsidiaries
Notes to the consolidated financial statements
30 June 2024

Note 27. Franking account balances

The balance of the Company's franking account at 30 June 2024 is Nil.

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 29. Segment reporting

The consolidated Group operates in one business and geographical segment being the provision of residential aged care services throughout Australia. Segment information reported to key management personnel is the same as information provided.

Note 30. Parent entity information

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	70,065,480	54,104,779
Total non-current assets	16,436,440	17,248,849
Total assets	86,501,920	71,353,628
Total current liabilities	35,124,008	42,348,087
Total non-current liabilities	13,845,639	14,420,178
Total liabilities	48,969,647	56,768,265
Net assets	<u>37,532,273</u>	<u>14,585,363</u>
Equity		
Issued capital	100	100
Retained profits	37,532,173	14,585,263
Total equity	<u>37,532,273</u>	<u>14,585,363</u>

Note 31. Company details

The registered office and principal place of business of the Company is:
7-11 Mimosa Street
Oatley, NSW 2223

Carino Care Pty Limited and Subsidiaries
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with Australian Accounting Standards – Simplified Disclosures and other mandatory professional reporting requirements as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the director.

On behalf of the director made pursuant to section 295(5)(a) of the Corporations Act 2001.



Dr. James Grealy
Director

26 September 2024

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CARINO CARE PTY LIMITED AND ITS CONTROLLED ENTITIES

Opinion

We have audited the financial report of Carino Care Pty Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Carino Care Pty Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year then ended; and
- complying with Australian Accounting Standards – Simplified Disclosures and the Corporations Regulations 2001.

Material Uncertainty Relating to Going Concern

We draw attention to Note 1 Going Concern Basis of Accounting in the financial report which describes the events and/or conditions which give rise to the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

As disclosed in note 1, the Group's ability to continue as a going concern is dependent on its ability to generate positive cash flows from operations, repayment of RAD liabilities for exiting aged care residents in the required time frame, ability of Management to be successful in managing and operating the 4 aged care facilities, increasing occupancy rates and obtaining continued financial support from related entities to fund short term debts as and when they fall due.

We do however acknowledge the improvements in the business over the year in the areas of management, governance, cash flow, operations, quality and lease negotiations as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) (including Independence Standards) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Director is responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024 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 we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the Financial Report

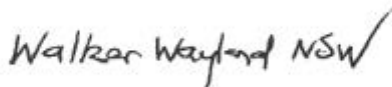
The director of the company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and The Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of a 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 director is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 this 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: <https://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

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



Walker Wayland NSW
Chartered Accountants



Wali Aziz
Partner

Dated this 26th day of September 2024, Sydney