

Aruma Services

ABN 31 001 813 403

Annual report 30 June 2020

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Annual report - 30 June 2020

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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 2020. 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:

Candice Charles - Chair
Richard Madden - Deputy Chair
Maura Boland
Leanne Dreves
Chris Edwards
Samantha Male
Andrew Sando
Peter Williams

The directors have been in office since the start of the year to the date of this report.

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

On 21 July 2019 the Victorian State Government transferred two parcels of disability services, Loddon/Goulburn and Mallee, and on 18 August 2019 one parcel of services in North East Melbourne to the Group comprising 62 new supported independent living homes and 5 short term accommodation and assistance services. These contributed \$56,762,000 in revenue in the financial year.

On 14 October 2019 the Group took over operation of The Salvation Army's disability services comprising supported independent living, short term accommodation and social community participation services in Brisbane and Toowoomba, Queensland. This contributed \$7,214,000 in revenue in the financial year.

During the year the Group closed our raffle program, which raised \$1,811,000 in revenue in the financial year.

Review of operations

Overview of the Group

Consolidated revenue of \$486,313,000 (2019: \$344,020,000) increased by 42% (2019: 21%) compared with the prior year, largely due to the acquisition of disability services from the Victorian State Government and The Salvation Army, realised gains on the transfer of Crown Land assets from the NSW State Government, a non-recurring government grant to upgrade the Summerland House Farm facilities and JobKeeper subsidy funding from the Federal Government.

Consolidated net profit of \$42,796,000 (2019: \$2,024,000) increased due to a business combination and non-recurring items noted above. After adjusting for these non-recurring items as shown in the table below, adjusted consolidated net loss for the financial year ended 30 June 2020 was \$3,101,000.

Review of operations (continued)

	2020 \$'000
Consolidated net profit	42,796
Crown land asset transfer net of impairment loss	(15,146)
JobKeeper subsidy net of wage top up cost	(22,907)
Discount on acquisition	(2,410)
Grant income	(5,434)
Consolidated adjusted net loss	(3,101)

Net assets of \$114,331,000 (2019: \$71,867,000) increased by 59% (2019: 3%).

Cash flows from operating activities was \$21,041,000 (2019: \$19,972,000). Cash flows used in investing activities was \$11,002,000 (2019: \$8,296,000). Overall cash on hand increased by \$25,386,000 (2019: \$11,676,000) primarily due to the one-off COVID-19 advance received from the National Disability Insurance Agency (NDIA), which is recorded as current borrowings and is repayable to NDIA in the coming financial year.

Market and strategy

Over the past three years Aruma experienced significant growth following mergers and transfers of services from the NSW and Victorian state governments. Aruma has set a new strategic plan for the next three years, 2020-2022, which is focused on consolidation, cultural alignment, delivering excellence in all aspects of our operations and innovating for our customers.

The Group's strategy is focused on customers, people and transformation to ensure that the Group adapts to changing market conditions while staying focused on making a strong and positive impact in the lives of many thousands of people with a disability, their families and carers.

The rollout of the National Disability Insurance Scheme ("NDIS") continues to change the shape of the 'market' for disability services in Australia. The NDIS remains a welcome and necessary social reform that is facilitating largely positive outcomes for participants. The NDIS is continuing to work through several challenges including pricing and cost reviews. The Group will continue to lobby for changes and improvements to the NDIS to ensure that participants are able to source support from quality focused, for purpose organisations like Aruma Services for many years to come.

Future performance

The future financial performance of the Group is expected to grow from the divestment of services from the Victorian State Government and The Salvation Army that occurred partway through the current financial year.

Impact of COVID-19

In March 2020, COVID-19 was declared a pandemic by the World Health Organisation and has had a significant impact on domestic and global markets and economies. As a result, both the Australian federal and state governments imposed domestic and international travel and social restrictions to curb the spread of COVID-19 across the country. As at the date of this report, those restrictions remain in place to varying degrees at state and federal levels.

These travel and social restrictions have impacted the Group, which had to cease respite and community-based supports provided to customers because these services typically involve face to face contact with customers. The Group has resumed respite and community-based support in line with the easing of state government restrictions. Several of the Group's businesses also temporarily closed in line with government restrictions due to COVID-19.

Impact of COVID-19 (continued)

In March 2020, the Federal Government introduced the JobKeeper program, which broadly comprised a wage subsidy to help qualifying businesses to retain staff. An eligible employer that has suffered the requisite decline in turnover due to the impact of governmental travel and social restrictions imposed during the pandemic would receive JobKeeper funding to retain eligible employees. From 30 March 2020 to 30 June 2020, the Group received \$27,170,000 in JobKeeper funding. During the same period the Group paid additional wages of \$4,263,000 to meet the requirements of the JobKeeper legislation and continued to employ a significant number of people who were unable to participate fully in employment activities due to the reduction of disability services that the Group was able to provide.

The members of the Group's COVID-19 Pandemic Response Team and the Board are actively managing and monitoring the Group's operations and protocols in response to the evolving COVID-19 pandemic. The extent of the impact COVID-19 may have on the Group's future financial performance and position is currently not known given the degree of uncertainty in the current economic climate.

Event since the end of the financial year

No other matters or circumstances have arisen since 30 June 2020 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 health and community services. She has worked closely with boards as a senior executive and held directorships in community organisations, building expertise in governance, business strategy and planning, and financial management.</p> <p>Candice has held senior leadership positions in the health and community services sector, large corporate and government organisations, including Good Shepherd Microfinance, Breast Cancer Network Australia, National Australia Bank and the Transport Accident Commission. Additionally, Candice has run her own business providing consulting services to health and community service organisations.</p> <p>She 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 Master 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, Ex-officio Member of the Governance & Remuneration Committee, Ex-officio Member of the FACS SDS Transfer Committee, Ex-officio Member of the STAR Committee

Information on directors (continued)

Richard Madden	Deputy Chair
Qualifications	BSc, PhD, FIAA, AM, PSM
Experience	<p>Richard Madden is a statistician and actuary. He has extensive knowledge of the Australian health and community services sectors. Richard is Professor of Health Statistics at the University of Sydney</p> <p>His previous roles include Chair of House with No Steps, Director of the National Centre for Classification of Health, University of Sydney, Director of the Australian Institute of Health and Welfare, Deputy Australian Statistician and Co-chair of the WHO Family of International Classifications. Previously he had various senior roles in the Commonwealth, NSW, ACT and NT Governments.</p> <p>In 2018 Richard was made a Member of the Order of Australia and he has received the Public Service Medal. He has also been awarded a Lifetime Achievement Award by the World Health Organisation (WHO), the ACROD President's Service Award, the Public Service Medal and an Honorary Doctor of Science degree from the University of Sydney. In 2002 Richard was Australian Actuary of the Year.</p>
Special responsibilities	Deputy Chair of the Aruma Services Board, Member of the Customer Experience & Outcomes Committee, Member of the STAR Committee, Member of the FACS/SDS Transfer 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 position have included 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 Human Rights Committee, Chair of the FACS/SDS Transfer Committee, Member of the Governance & Remuneration Committee, Member of the STAR Committee

Information on directors (continued)

Leanne Dreves	Director
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.
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's 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, Odie.</p>
Special responsibilities	Chair of the Customer Experience & Outcomes Committee, Member of the Human Rights Committee

Information on directors (continued)

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 currently 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 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 Governance & Remuneration Committee, Member of the Customer Experience & Outcomes Committee
Andrew Sando	Director
Qualifications	BSc (Hons), MBA, GAICD
Experience	<p>Andrew Sando is a director and senior business leader with a significant executive career in the healthcare sector.</p> <p>Andrew is currently Chief Executive Officer of the Australian Health Service Alliance (AHSA), an organisation that works with Private Health Insurers and on their behalf negotiates agreements with private hospitals, doctors and other health providers. Previously Andrew has held executive roles at Healthscope Limited and other senior strategic and operational management roles in private hospitals, rehabilitation and independent living, pathology and medical centres.</p> <p>He was formerly a non-executive director of The Tipping Foundation.</p> <p>Andrew has supplemented his healthcare experience with ongoing studies including qualifications from Harvard Business School (Advanced Management Program) and a Master of Business Administration to complement his initial Honours degree in Science.</p>
Special responsibilities	Chair of the STAR Committee, Member of the FACS SDS Transfer Committee

Information on directors (continued)

Peter Williams	Director
Qualifications	ANZIFF (ASSOC) CIP, MAICD, FAIM
Experience	<p>Peter Williams in an established executive and non-executive director with extensive experience across the finance, banking and investment sectors. He has held senior executive positions in leading companies in Australia and overseas.</p> <p>Peter is currently a non-executive director of Australian Foundation Investment Company and Chairman of the FIIG Securities MIPS Supervisory Committee. He is also a non-executive director of Cricket Victoria, Independent Chairman and director for NAB Trustee Services Limited and Advisory Board Member for TLC Aged Care.</p> <p>Formerly Peter held senior executive roles with Equity Trustees Limited and AXA/ National Mutual in Australia and Hong Kong.</p> <p>He was previously Chair of Olympic Park Sports Medical Centre and a non-executive director of The Tipping Foundation, the Australian Baseball Federation and the Trustee Corporations Association of Australia.</p>
Special responsibilities	Member of the Audit & Risk Committee.
Gina Georgiou	Company Secretary (Appointed 5 September 2019)
Qualifications	B. Laws, B. Arts (Applied Psychology), MAICD, FGIA
Experience	<p>Gina is Aruma's General Counsel and Company Secretary. She is a senior corporate lawyer with extensive leadership experience in delivery of legal, corporate governance, regulatory, risk and compliance services in the private, public and NFP sectors (including public health and education).</p> <p>Previously Gina held the position of Deputy General Counsel at the Australian Catholic University, with former senior roles at Australian Hearing Services, Australian Children's Education and Care Quality Authority and the NSW Aboriginal Land Council.</p> <p>In June 2020 Gina was elected a Fellow of the Governance Institute of Australia Ltd.</p>

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

Directors	Board		Audit & Risk Committee meetings		Human Right Committee meetings		FACS SDS Transfer Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Candice Charles	13	13	5	5	-	-	2	1
Maura Boland	13	12	-	-	3	3	2	2
Leanne Dreves	13	12	5	5	-	-	-	-
Chris Edwards	13	12	-	-	3	2	-	-
Richard Madden	13	11	-	-	-	-	2	1
Samantha Male	13	13	-	-	-	-	-	-
Andrew Sando	13	13	-	-	-	-	2	2
Peter Williams	13	12	5	5	-	-	-	-

The frequency of board meetings increased during the financial year ended 30 June 2020 as the directors exercised oversight of the Group's response to the COVID-19 pandemic.

Directors	Project Star Committee meetings		Customer Outcomes Committee meetings		People & Governance meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Candice Charles	5	4	3	3	4	4
Maura Boland	5	5	-	-	4	3
Leanne Dreves	-	-	-	-	-	-
Chris Edwards	-	-	3	3	-	-
Richard Madden	5	3	3	3	-	-
Samantha Male	-	-	3	3	4	4
Andrew Sando	5	5	-	-	-	-
Peter Williams	-	-	-	-	-	-

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 is 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 2020 the total amount that members are liable to contribute if Aruma Services is wound up is \$36 (2019: \$37).

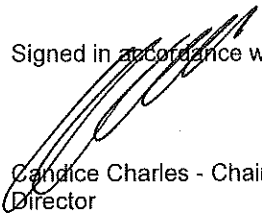
Auditor's independence declaration

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 10.

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
11th December 2020



Auditor's Independence Declaration

As lead auditor for the audit of Aruma Services for the year ended 30 June 2020, 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', with a long horizontal flourish extending to the right.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
11 December 2020

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Aruma Services

ABN 31 001 813 403

Financial report - 30 June 2020

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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 26. The financial statements are presented in the 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
49 Blackbutts Road
Belrose 2085, Australia

The financial statements were authorised for issue by the directors on 11th December 2020. 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 2020

	Notes	2020 \$'000	2019 \$'000
Revenue and other income			
Revenue	5	433,429	341,595
Other income	5	52,884	2,425
	5	<u>486,313</u>	<u>344,020</u>
Less: expenses			
Employee benefits expense	6	(372,289)	(279,660)
Occupancy expense		(12,046)	(16,271)
Depreciation and amortisation expense	6	(14,613)	(6,849)
Professional fee expenses		(6,036)	(6,153)
Motor vehicle expenses		(4,892)	(8,171)
Material and consumables used		(5,006)	(4,279)
Technology expenses		(5,827)	(4,042)
Repairs and maintenance expense		(3,898)	(3,029)
Sales and marketing expenses		(3,805)	(2,401)
Finance expenses		(1,520)	-
Other expenses		(13,585)	(11,141)
Total expenses		<u>(443,517)</u>	<u>(341,996)</u>
Profit before income tax expense		42,796	2,024
Income tax expense		-	-
Net profit from continuing operations		<u>42,796</u>	<u>2,024</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability		438	114
Changes in the fair value of financial assets at fair value through other comprehensive income		(770)	251
Other comprehensive income for the year, net of tax		<u>(332)</u>	<u>365</u>
Total comprehensive income for the year		<u>42,464</u>	<u>2,389</u>

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 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	98,467	73,081
Trade receivables	8	53,012	22,715
Inventories	9	756	615
Other current assets	10	4,295	3,899
Total current assets		156,530	100,310
Non-current assets			
Biological assets	11	602	602
Financial assets	12	4,712	5,254
Intangible assets	13	1,049	654
Property, plant and equipment	14	78,375	57,548
Right-of-use assets	15	35,235	-
Total non-current assets		119,973	64,058
Total assets		276,503	164,368
LIABILITIES			
Current liabilities			
Trade and other payables	16	22,961	18,880
Borrowings	17	23,396	-
Lease liabilities	15	6,924	-
Provisions	18	60,786	43,463
Contract liabilities	19	9,819	20,004
Total current liabilities		123,886	82,347
Non-current liabilities			
Lease liabilities	15	27,650	-
Provisions	18	10,636	10,154
Total non-current liabilities		38,286	10,154
Total liabilities		162,172	92,501
Net assets		114,331	71,867
EQUITY			
Reserves	20(a)	6,736	9,500
Accumulated profit	20(b)	107,595	62,367
Total equity		114,331	71,867

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 2020

	Reserves \$'000	Accumulated profit \$'000	Total funds and reserves \$'000
Balance at 1 July 2018	9,135	60,343	69,478
Profit for the year	-	2,024	2,024
Remeasurements of defined benefit liability	114	-	114
Change in fair value of available for sale financial assets	251	-	251
Total comprehensive income for the year	365	2,024	2,389
Balance at 30 June 2019	9,500	62,367	71,867
Balance at 1 July 2019	9,500	62,367	71,867
Profit for the year	-	42,796	42,796
Remeasurements of defined benefit liability	438	-	438
Change in fair value of financial assets	(770)	-	(770)
Total comprehensive (loss)/income for the year	(332)	42,796	42,464
Transactions with owners in their capacity as owners:			
Transfer of reserve (Note 20(b))	(2,432)	2,432	-
	(2,432)	2,432	-
Balance at 30 June 2020	6,736	107,595	114,331

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 2020

	2020	2019
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipt from customers (inclusive of GST)	433,658	350,894
Payments to suppliers and employees (inclusive of GST)	(411,997)	(332,018)
Finance costs	(1,520)	(3)
Interest received	900	1,099
Net cash inflow from operating activities	<u>21,041</u>	<u>19,972</u>
	21(b)	
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	260	2,358
Proceeds from sale of financial assets at fair value through other comprehensive income	1,594	775
Payment for property, plant and equipment	(11,404)	(10,728)
Payments for financial assets at fair value through other comprehensive income	(1,792)	(1,197)
Dividends received	340	496
Net cash (outflow) from investing activities	<u>(11,002)</u>	<u>(8,296)</u>
Cash flows from financing activities		
Proceeds from borrowings	23,396	-
Redemption of term deposits	500	-
Lease payments	(8,549)	-
Net cash inflow from financing activities	<u>15,347</u>	<u>-</u>
Net increase in cash and cash equivalents	25,386	11,676
Cash and cash equivalents at the beginning of the financial year	<u>73,081</u>	<u>61,405</u>
Cash and cash equivalents at end of financial year	<u>7</u> <u>98,467</u>	<u>73,081</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 to the extent they have not already been disclosed in the other notes below. 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 - Reduced Disclosure Requirements

The consolidated financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements 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

Certain corresponding figures for the year ended 30 June 2019 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position and notes to the consolidated financial statements have been reclassified in order to conform to the presentation of the current year. These changes have been made to improve the quality of information presented. Such reclassification does not affect previously reported profit, total comprehensive income, total assets or total equity amounts.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards for first time in the annual reporting period commencing 1 July 2019:

- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

The Group had to change its accounting policies as a result of adopting AASB 15, AASB 16 and AASB 1058. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standards on 1 July 2019. This is disclosed in note 3.

(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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 25).

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.

1 Summary of significant accounting policies (continued)

(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 14 days from invoice date.

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, facility services and recycling 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 and 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.

1 Summary of significant accounting policies (continued)

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

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.

(e) Dividend and interest income

Dividends are received from financial assets measured at fair value through 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 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

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

Inventories held for sale are measured at the lower of cost and net realisable value.

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, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment FVOCI. The Group has elected to classify its equity securities as financial assets at FVOCI as these are strategic investments and the Group considers this classification to be more relevant.

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 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.

Equity instruments

The Group subsequently measures all equity investments 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 FVOCI 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.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(j) Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to director related entities.

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 twelve months after the reporting period.

1 Summary of significant accounting policies (continued)

(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 service 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.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. 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 under the heading of revaluation surplus; 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 measured at cost basis.

Plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Furniture, fittings and equipment include assets received in the form of free store 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 over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

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	10-50%	Straight line
• Motor vehicles at cost	15%	Straight line

1 Summary of significant accounting policies (continued)

(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. Refer to Note 1(s) for a description of how goodwill arising from a business combination is initially measured.

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

(ii) Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

(iii) Other intangibles

Donor acquisition campaign costs are recognised at cost of acquisition. They have finite life and are carried at cost less any accumulated amortisation and any impairment losses. Donor acquisition campaign costs are amortised over their useful estimated life of 3 years.

(iv) Software development

Costs incurred in developing information technology products or systems and costs incurred in acquiring software and licenses that will contribute to the future financial benefits of the Group through revenue generation and cost reduction are capitalised. Costs capitalised include external direct costs of materials and direct wages. 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.

The internal and external costs of developing information technology systems include only those costs incurred in the development phase. Costs incurred in relation to scoping, feasibility, product selection, user training and documentation are not capitalised.

(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.

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.

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.

1 Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

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.

(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.

(o) Leases

As explained in note 1(a)(iv) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 15 and the impact of the change in note 3.

Until 30 June 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 15). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 24). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

(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 before twelve months after the end of the annual reporting period are measured at the undiscounted amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in provision for employee benefits. All other short-term employee benefit obligations are presented as provisions in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee turnover, and are discounted 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. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the period in which the change occurs.

1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

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

Other long-term employee benefit obligations are presented as current provisions in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve 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 (asset) 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 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 (asset) is calculated by multiplying the average balance of the liability (asset) 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 (asset) (including actuarial gains and losses, the return on plan assets less amounts included in the net interest on the net defined benefit liability (asset), and any changes in the limit on the net defined benefit asset (excluding interest)) are recognised in other comprehensive income (retained earnings) in the periods in which they occur.

(q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

(r) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(s) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

1 Summary of significant accounting policies (continued)

(s) Business combinations (continued)

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

(t) 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.

(u) Parent entity financial information

The financial information for the parent entity, Aruma Services, disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Aruma Services.

(v) 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 Critical estimates, judgements and errors

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 twelve 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.

2 Critical estimates, judgements and errors (continued)

(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 18.

(c) Workers compensation provision

The Group participates in a Loss Prevention Recovery (LPR) insurance scheme for workers compensation policies over a number of financial years. The calculation of the workers compensation provision involves the use of estimates.

Estimates of the end of policy period claims are based on actual claims extrapolated based on pre-defined development factors provided by the insurer. The Group has further incorporated historical claims and policy experience to determine the estimated provision required.

(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 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 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 2018. 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

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Group has provided for all debtors outstanding greater than 120 days based on the aging of trade debtors, plus 3% of all debtors less than 120 days. The Group prepared an assessment of historical loss data to assess the loss rate on trade debtors and applied an adjustment against the historical loss rate based on aging of trade debtors to determine the level of expected credit loss. However the Group believes this method is not indicative of actual expected credit losses due to ongoing changes from state-based government block funding to NDIA funding.

As at date of consolidated financial statement, the ECLs for trade receivables are \$5,809,000 (2019: \$2,936,000).

3 Changes in accounting policies

(a) The Group adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* using the modified retrospective method of adoption with the date of initial application of 1 July 2019 but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The adoption of the new standards was not material to the financial statements. The Group changed its accounting policy as disclosed in Note 1(a)(iv).

3 Changes in accounting policies (continued)

(b) As indicated in note 1(a) above, the Group has adopted AASB 16 *Leases* retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in Note 15(c).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate or the rate implicit in the lease as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.28%.

(i) *Practical expedients applied*

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were two onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) *Measurement of lease liabilities*

	2020 \$'000
Operating lease commitments disclosed as at 30 June 2019 (Note 24(a)(i))	23,167
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(4,350)
(Less): short-term leases not recognised as a liability	(2,732)
Add: adjustments as a result of a different treatment of extension and termination options	18,438
Lease liability recognised as at 1 July 2019	34,523
Of which are:	
Current lease liabilities	6,597
Non-current lease liabilities	27,926
	34,523

4 Financial risk management

The Board of Directors, on advice from the Audit and Risk Committee and senior management, is responsible for analysing and managing financial risk exposure. Risk management policies are approved and reviewed by the Board of Directors on a regular basis.

The Group is exposed to a number of financial risks comprising:

- (a) Market price risk
- (b) NDIS transition risk
- (c) Government funding risk
- (d) Interest rate risk
- (e) Credit risk
- (f) Liquidity risk

(a) Market price risk

The Group's exposure to equity securities price risk arises from the investment portfolio held by the Group and classified in the balance sheet as fair value through other comprehensive income. These investments are subject to market fluctuations. The majority of these investments are ASX200 entities and therefore are subject to the risks associated with such markets. The day to day management of the investment portfolio is contracted to an external investment manager under mandate of the Board of Directors. The mandate provided by the Board of Directors requires an ethical investment strategy.

(b) NDIS transition risk

As the National Disability Insurance Scheme ("NDIS") continues to rollout, the move to a more contestable, consumer driven market for the provision of services to people with a disability is changing the funding risk. We are experiencing a progressive transition away from the upfront payment of government funding by direct grants and payments for contracted services, to transactional, post service consumer directed payments made by the National Disability Insurance Agency, individual service users and other intermediaries. The Group expects NDIS to be fully rolled out in the jurisdictions that we operate in during the next financial year.

The Group is managing this risk through a range of operational strategies to:

- Continually improve the quality and consistency of its services, with a stronger focus on person centred practices, customer relationship management and development of the support framework;
- Redesign and automate key business processes to bill efficiently, improve customer service levels and achieve operational efficiencies; and
- Build on the strength of the Aruma brand to enhance the Group's value propositions to current and future customers.

The implementation of the NDIS also impacts credit and liquidity risk which is discussed under Notes 4(e) and 4(f).

4 Financial risk management (continued)

(c) Government funding risk

Despite the reduction in direct government funding during the transition to NDIS, the Group is dependent on state and federal government funding to operate many of its services and businesses. Direct government funding contributed 28% (2019: 19%) of the Group's revenue during the current financial year. The increase was primarily due to the transfer of services from the Victorian State Government, as discussed in Note 25. These transferred services are expected to transition to NDIS funding in the next financial year. Government funding risk is managed through a range of complementary strategies but cannot be totally mitigated. The major risk management strategies are:

Quality management

The Group demonstrates a commitment to quality and good governance by ensuring its systems and practices meet the NDIS Terms of Business, the NDIS Quality & Safeguarding requirements and the National Standards for Disability Services. In addition to these national certifications, the Group also holds discrete accreditations and certifications to State Specific Standards in Victoria, NSW and Queensland as well as the Hazard Analysis and Critical Control Point (HACCP) certification, Harmonised Australian Retailer Produce Scheme (HARPS), Freshcare, TGA, ISO 13485:2016, ISO 18385:2016, ISO 9001:2015, Attendant Care. The Group is also a registered organisation with the Office of the Children's Guardian (NSW) for Voluntary Out of Home Care.

Effective tendering

The Group employs staff dedicated to the production of high-quality tender and proposal documentation, within parameters of a documented bid management system, to ensure that proposals to operate new services are delivered to quality standards, well scoped and well costed.

Training

The Group spent a minimum of 1.1% of its annual payroll costs for training to ensure that staff are appropriately trained in the functional and management skills they require to perform their roles effectively.

Advocacy

The Group actively participates in systematic advocacy, including submissions and responses to the NDIA, various levels of government and other industry bodies to ensure that the voice of the Group's customers and the Group's views are clearly communicated to policy makers so that the best possible outcomes are achieved for the disability sector.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Interest rate risk is minimal as the Group has no interest-bearing borrowings. Subject to consideration of liquidity risk, cash is held in fixed interest rate accounts to maximise returns.

(e) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any loss allowance of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors. The Group's largest debtor is NDIA, which represents 63% (2019: 34%) of receivables. At 30 June 2020, NDIA accounts receivable balance comprises many individual agency-funded (33%), self-managed (8%) and plan-managed customers (60%). The Group faces a higher credit risk with plan-managed and self-managed customers compared with agency-managed customers.

4 Financial risk management (continued)

(e) Credit risk (continued)

The Group does not have any material credit risk in respect of cash and cash equivalents as these are held with Authorised Deposit taking Institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA).

(f) Liquidity risk

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

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and cash equivalents and/or unutilised borrowing facilities are maintained (Note 21(d)).

When considering the liquidity position of the Group it is important to recognise that there is access to readily realisable non-current assets such as the Group's investment portfolio. This is principally an investment portfolio that could be easily converted to cash to cover any urgent cash requirements.

5 Revenue and other income

	2020 \$'000	2019 \$'000
Revenue		
NDIS Funding	294,056	235,996
Government block funding	99,352	63,982
Service revenue	30,371	28,845
Sale of goods	5,014	6,490
Fundraising appeals	3,351	5,360
Bequest income	207	177
Sundry revenue	1,078	745
	<u>433,429</u>	<u>341,595</u>
Other income		
Dividend income	340	496
Interest income	900	1,099
Profit on sale of shares	30	-
Discount on acquisition (Note 25)	2,410	-
Transfer of Crown Land assets (Note 14(a))	16,600	-
Grant income	5,434	830
JobKeeper funding	27,170	-
	<u>52,884</u>	<u>2,425</u>
	<u>486,313</u>	<u>344,020</u>

5 Revenue and other income (continued)

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

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following revenue streams and recognises income in accordance with AASB 1058 Income of Not-for-Profit Entities as follows:

2020	Government		Service revenue \$'000	Sale of goods \$'000	Other revenue \$'000	Total \$'000
	NDIS Funding \$'000	block funding \$'000				
Timing of revenue recognition						
At a point in time	-	-	13,612	5,014	-	18,626
Over time	294,056	99,352	16,759	-	-	410,167
Revenue from external customers	294,056	99,352	30,371	5,014	-	428,793
Income recognised in accordance with AASB 1058	-	-	-	-	4,636	4,636
Total revenue	294,056	99,352	30,371	5,014	4,636	433,429
2019	Government		Service revenue \$'000	Sale of goods \$'000	Other revenue \$'000	Total \$'000
	NDIS Funding \$'000	block funding \$'000				
Timing of revenue recognition						
At a point in time	-	-	13,251	6,490	-	19,741
Over time	235,996	63,982	15,594	-	-	315,572
Revenue from external customers	235,996	63,982	28,845	6,490	-	335,313
Income recognised in accordance with AASB 1058	-	-	-	-	6,282	6,282
Total revenue	235,996	63,982	28,845	6,490	6,282	341,595

6 Expenses

Profit before income tax includes the following specific expenses:

	2020 \$'000	2019 \$'000
Net loss on disposal of non-current assets:		
Loss on sale of property, plant and equipment	536	559
Impairment loss on property, plant and equipment	1,454	88
Cost of sales	5,006	4,279
Impairment loss on trade receivables	3,688	2,228
Rental expense on operating leases	3,354	11,283
Loss on right-of-use asset	216	-
Depreciation on property, plant and equipment	5,632	5,728
Depreciation on right-of-use assets	8,246	-
Amortisation expense	735	1,121
	14,613	6,849
Employee benefits expense		
Wages and salaries	268,271	211,384
Superannuation contribution	27,413	21,700
Employee benefits	36,615	26,582
Workers compensation	16,718	10,240
JobKeeper costs	4,263	-
Other employee related expenses	19,009	9,754
	372,289	279,660

7 Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash on hand	13	28
Cash at bank	32,465	16,870
At call deposits with financial institutions	65,989	56,183
	98,467	73,081

8 Trade receivables

	2020	2019
	\$'000	\$'000
Current assets		
Trade receivables	14,363	14,787
Accrued income	44,458	10,864
Loss allowance	<u>(5,809)</u>	<u>(2,936)</u>
	<u>53,012</u>	<u>22,715</u>

(a) Loss allowance of trade receivables

Trade receivables are non-interest bearing with 30 days terms. The loss allowance has been included within other expenses within profit or loss.

Movements in the loss allowance were:

	2020	2019
	\$'000	\$'000
At 1 July	2,936	731
Charge for the year	3,688	2,228
Amounts written off	<u>(815)</u>	<u>(23)</u>
At 30 June	<u>5,809</u>	<u>2,936</u>

9 Inventories

	2020	2019
	\$'000	\$'000
Current assets		
<i>At net realisable value</i>		
Raw materials	291	247
Finished goods	<u>465</u>	<u>368</u>
	<u>756</u>	<u>615</u>

10 Other current assets

	2020	2019
	\$'000	\$'000
Prepayments	2,970	2,619
Investment in term deposits	400	900
Other current assets	<u>925</u>	<u>380</u>
	<u>4,295</u>	<u>3,899</u>

11 Biological assets

	2020	2019
	\$'000	\$'000
Non-current assets		
<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 38 years (2019: 8 years to 34 years),
- avocado trees are expected to bear crops from 3 years to 32 years (2019: 8 years to 34 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 Financial assets at fair value through other comprehensive income

	2020	2019
	\$'000	\$'000
Non-Current Assets		
<i>FVOCI financial assets</i>		
<i>At cost</i>		
Investments in managed funds	948	1,052
Equity instruments	3,764	4,202
Total FVOCI financial assets	4,712	5,254

Reconciliation of FVOCI financial assets

	2020	2019
	\$'000	\$'000
Opening balance at 1 July	5,254	4,669
Additions	1,792	1,197
Disposals	(1,564)	(863)
Change in fair value of investment	(770)	251
Closing balance at 30 June	4,712	5,254

13 Intangible assets

	Goodwill \$'000	Donor acquisition campaigns \$'000	Software development \$'000	Total \$'000
At 30 June 2019				
Cost	470	4,529	-	4,999
Accumulated amortisation and impairment	(214)	(4,131)	-	(4,345)
Net book amount	256	398	-	654
Year ended 30 June 2020				
Opening net book amount	256	398	-	654
Additions and transfer	-	-	1,130	1,130
Amortisation charge	-	(398)	(337)	(735)
Closing net book amount	256	-	793	1,049
At 30 June 2020				
Cost	470	4,529	1,130	6,129
Accumulated amortisation and impairment	(214)	(4,529)	(337)	(5,080)
Net book amount	256	-	793	1,049

14 Property, plant and equipment

	Freehold land \$'000	Commercial buildings \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 1 July 2019						
Cost	5,660	7,269	36,086	4,987	35,612	89,614
Accumulated depreciation	-	(1,123)	(5,527)	(2,860)	(22,556)	(32,066)
Net book amount	5,660	6,146	30,559	2,127	13,056	57,548
Year ended 30 June 2020						
Opening net book amount	5,660	6,146	30,559	2,127	13,056	57,548
Additions	16,600	-	7,085	587	6,384	30,656
Disposals	(160)	(160)	(122)	(90)	(1,081)	(1,613)
Transfers to intangibles	-	-	-	-	(1,130)	(1,130)
Depreciation charge	-	(364)	(682)	(831)	(3,755)	(5,632)
Impairment loss	-	-	(1,454)	-	-	(1,454)
Closing net book amount	22,100	5,622	35,386	1,793	13,474	78,375

14 Property, plant and equipment (continued)

	Freehold land \$'000	Commercial buildings \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2020						
Cost	22,100	7,012	39,187	4,425	35,052	107,776
Accumulated depreciation	-	(1,390)	(3,801)	(2,632)	(21,578)	(29,401)
Net book amount	22,100	5,622	35,386	1,793	13,474	78,375

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 \$7,357,000 (2019: \$7,688,000).

(ii) buildings with a total carrying value of \$276,000 (2019: \$1,726,000) on government gazetted land in respect of which no communication has been received of any plans that would prevent the Group's continued use.

(iii) \$16,600,000 in additions to freehold land relates to the transfer of two Crown Land assets to the Group by the NSW Government (Note 21(c)). Under the terms of the Crown Land Transfer Agreement, the Group may use the net proceeds from the sale of the Crown Land assets to fund qualifying projects as approved by the NSW State Government.

(a) Valuation

In June 2018, 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 freehold land and Commercial Buildings class of assets was revalued based on the independent valuation.

In June 2020, an independent valuation was obtained from Valuations NSW for two Crown Land assets that were transferred to the Group through a Crown Land Transfer Agreement with the NSW Government. The valuation was prepared on a highest and best use basis to recognise the excess of the initial carrying amount of the transferred assets over the related amounts recognised in relation to the assets.

(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 21(d) for details of the facilities.

15 Leases

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

(a) Amounts recognised in the balance sheet

	2020 \$'000	1 July 2019 \$'000
Right-of-use assets		
Buildings	26,264	27,965
Vehicles	8,971	7,104
	35,235	35,069
Lease liabilities		
Current	6,924	6,597
Non-current	27,650	27,926
	34,574	34,523

Additions to the right-of-use assets during the 2020 financial year were \$8,631,000 (Note 21(c)).

(b) Amounts recognised in the statement of profit or loss

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

	2020 \$'000	2019 \$'000
Depreciation charge of right-of-use assets		
Buildings	4,455	-
Vehicles	3,791	-
	8,246	-
Interest expense (included in finance cost)	1,520	-
Expense relating to short-term leases (included in occupancy and motor vehicle expenses)	3,354	-

(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 in (d) below.

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.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 1(o) for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

15 Leases (continued)

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

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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

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

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 property 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.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term and security.

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 year.

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.

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.

(d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16 Trade and other payables

	2020 \$'000	2019 \$'000
Current		
Unsecured liabilities		
Trade payables	6,877	4,522
Sundry creditors and accruals	16,084	14,358
	22,961	18,880

17 Borrowings

	2020			2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
<i>Unsecured</i>						
Other loan	23,396	-	23,396	-	-	-
Total unsecured borrowings	23,396	-	23,396	-	-	-

During March 2020 the NDIA introduced a one-off advance payment for registered providers to assist in the temporary increase in costs to deliver supports during the COVID-19 pandemic. The advance is interest free and will be repayable from 1 October 2020, in six equal monthly instalments.

18 Provisions

	2020			2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Make good provision	498	-	498	413	-	413
Employee benefits	42,069	3,990	46,059	34,888	3,284	38,172
Defined pension benefits ((a) - (d))	-	4,470	4,470	-	4,694	4,694
Contingent liability (e)	-	2,176	2,176	-	2,176	2,176
Provision for workers compensation (f)	18,219	-	18,219	8,162	-	8,162
	60,786	10,636	71,422	43,463	10,154	53,617

18 Provisions (continued)

(a) 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 2020, there were 16 members (2019: 18).

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

- *Longevity risk* - the risk that pensioners live longer than assumed, increasing future pensions.
- *Investment risk* - the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- *Pensions indexation risk* - The risk that pensions will increase at a greater rate 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, and thereby requiring additional employer contributions.
- *Legislative risk* - the risk 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 mix. The Fund has no significant concentration of investment risk or liquidity risk.

An actuarial investigation of the Fund is performed every three years. The most recent investigation was performed at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

(b) 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.

18 Provisions (continued)

(b) Movement in net defined benefit liability (continued)

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 2019	15,768	11,074	4,694
Included in profit or loss	719	289	430
Remeasurement gain included in other comprehensive income	(486)	(48)	(438)
Contributions paid	125	341	(216)
Benefits paid	(1,023)	(1,023)	-
Balance as at 30 June 2020	<u>15,103</u>	<u>10,633</u>	<u>4,470</u>

(c) 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.

Asset Category	Quoted prices in active markets for Total identical assets		Significant observable inputs	Unobservable inputs
	(\$'000)	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
Short Term Securities	4,096,298	1,889,511	2,206,787	-
Australian Fixed Interest	1,066,448	-	1,066,448	-
International Fixed Interest	1,909,423	30,408	1,879,015	-
Australian Equities	7,294,211	6,901,927	392,284	-
International Equities	11,950,330	11,487,308	463,022	-
Property	3,352,466	644,805	16,266	2,691,395
Alternatives	10,522,833	23,408	4,337,075	6,162,350
Total	<u>40,192,009</u>	<u>20,977,367</u>	<u>10,360,897</u>	<u>8,853,745</u>

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.

18 Provisions (continued)

(c) Plan assets (continued)

The percentage invested in each class at the reporting date:

	2020 %
As at 30 June	
Short Term Securities	10.2%
Australian Fixed Interest	2.7%
International Fixed Interest	4.8%
Australian Equities	18.1%
International Equities	29.7%
Property	8.3%
Alternatives	26.2%
Total	100.0%

(d) Defined benefits obligation

(i) Actuarial assumptions

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

At 30 June 2020 the duration of the defined benefit obligations was 10.3 years (2019: 9.9 years).

	2020	2021 onwards
Discount rate	2.53%	2.53%
Future salary growth	3.20%	3.20%
Future pension growth	1.00% - 2.50%	2.50%

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

(e) Contingent liability

As part of a merger in 2018, the Group recognised a contingent liability of \$2,176,000 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 (VISTA) in 2016. The potential amount of all future payments that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between \$nil and \$4,352,000.

As at 30 June 2020, this matter continues to represent a contingent liability that has been provided for in accordance with AASB 3 which requires an entity to recognise a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources will be required to settle the obligation.

(f) Provision for workers compensation

The provision for workers compensation of \$18,219,000 (2019: \$8,162,000) represents workers compensation premiums for a Loss Prevention Recovery insurance scheme. The Group's participation in a Loss Prevention Recovery insurance scheme for workers compensation involves the use of estimates as discussed in Note 2(c).

19 Contract liabilities

	2020	2019
	\$'000	\$'000
Current		
Unexpended government funding	9,819	20,004

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.

20 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.

	2020	2019
	\$'000	\$'000
Revaluation surplus - property, plant and equipment	5,880	8,312
Defined benefit liability fair value reserve	1,204	766
FVOCI reserve	(348)	422
	6,736	9,500

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.

(b) Retained surplus

Movements in retained surplus were as follows:

	2020	2019
	\$'000	\$'000
Balance 1 July	62,367	60,343
Net profit for the period	42,796	2,024
Transfer from asset revaluation reserves	2,432	-
Balance 30 June	107,595	62,367

The transfer from asset revaluation reserves of \$2,432,000 during the financial year relates to historical asset balances.

21 Cash flow information

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2020 \$'000	2019 \$'000
Cash on hand	13	28
Cash at bank	32,465	16,870
At call deposits with financial institutions	65,989	56,183
	<u>98,467</u>	<u>73,081</u>

(b) Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	2020 \$'000	2019 \$'000
Profit for the year		42,796	2,024
Adjustments for			
Amortisation		735	1,121
Depreciation - property, plant and equipment	6	5,632	5,728
Depreciation - right-of-use assets	6	8,246	-
Transfer of Crown Land assets	5	(16,600)	-
Net loss on disposal of property, plant and equipment		536	559
Impairment loss on property, plant and equipment	6	1,454	88
Dividends received and classified as investing activities		(340)	(496)
Discount on acquisition	5	(2,410)	-
Fair value losses on biological assets		-	66
Profit on sale of shares	6	(30)	-
Loss on right-of-use assets		216	-
Net loss allowance on receivables		2,873	2,205
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
Increase in receivables		(33,169)	(10,826)
Increase in other assets		(896)	(1,149)
(Increase)/decrease in inventories		(141)	182
Increase in payables		4,081	9,181
(Decrease)/increase in other liabilities		(10,185)	8,652
Increase in provisions		18,243	2,637
Net cash inflow from operating activities		<u>21,041</u>	<u>19,972</u>

(c) Non-cash investing and financing activities

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

- Acquisition of right-of-use assets (Note 15(a))
- Transfer of Crown Land assets (Note 14(a))
- Acquisition due to business combination (Note 25)

21 Cash flow information (continued)

(d) Credit standby arrangements with banks

	2020 \$'000	2019 \$'000
Overdraft facility	4,000	4,000
Unused credit facility	4,000	4,000
Corporate card facility	400	400
Amount utilised	(400)	(400)
Unused credit facility	-	-

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.

(e) Contingent liability arrangements with banks

	2020 \$'000	2019 \$'000
Contingent liability facility	500	500
Amount utilised	(466)	(397)
Unused liability facility	34	103

22 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, its related practices and non-related audit firms:

	2020 \$	2019 \$
<i>Pitcher Partners (Sydney)</i>		
<i>Audit and other assurance services</i>		
- Audit and review of financial statements	-	8,000
Total remuneration for Pitcher Partners (Sydney)	-	8,000
<i>PricewaterhouseCoopers Australia</i>		
<i>Audit and other assurance services</i>		
- Audit and review of financial statements	244,700	232,560
- Audit of grant acquittal	9,000	-
Other services		
- Consulting services	66,181	224,611
Total remuneration for PricewaterhouseCoopers Australia	319,881	457,171

23 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in Note 26(a).

(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

	2020	2019
	\$	\$
Compensation received by key management personnel of the Group		
Short-term employee benefits	2,608,032	2,257,402
Post-employment benefits	199,762	174,749
Other long-term benefits	43,358	25,472
Termination benefits	-	76,675
	2,851,152	2,534,298

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 10 senior management roles during the year, and 8 as at 30 June 2020 (2019: 8), including the CEO.

Other than remuneration disclosed above, there were no transactions 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 2020 (2019: \$nil).

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 2020 (2019: \$nil).

(c) Transactions with other related parties

There were no transactions with related parties during the year.

24 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	2020	2019
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	801	9,288
Later than one year but not later than five years	-	13,879
	801	23,167

This represents motor vehicle and rental property lease commitments.

25 Business combination

(a) Summary of acquisition

On 21 July 2019 the Victorian State Government transferred two parcels of disability services, Loddon/Goulburn and Mallee, and on 18 August 2019 one parcel of services in North East Melbourne to the Group comprising 62 new supported independent living homes and 5 short term accommodation and assistance services.

The Victorian State Government agreed to transfer assets and assumed liabilities to Aruma. This transaction has been accounted for as a business combination.

Purchase consideration was \$3.

Details of the paid consideration

	\$'000
Purchase consideration	-
Total purchase consideration	-

The assets and liabilities recognised as a result of the business combination are as follows:

	Recognised on acquisition at fair value \$'000
Assets and liabilities held at acquisition date:	
Motor vehicles	1,836
Right-of-use asset	575
Lease liability	(1)
Net identifiable assets acquired (Note 21(c)).	2,410
Less: Discount on acquisition	(2,410)
Total consideration	-

26 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2020 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.

26 Interests in other entities (continued)

(a) Material subsidiaries (continued)

Name of entity	Principal activities	Place of business/ country of incorporation	Ownership interest held by the Group	
			2020 %	2019 %
Aruma Services NSW Limited (formerly known as HWNS 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 (formerly known as The Tipping Foundation Limited)	Provision of disability services	Australia	100	100
Aruma Services Victoria Limited (formerly known as HWNS Services VIC Limited)	Provision of disability services	Australia	100	100

27 Contingent liabilities

During the financial year 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 18(e) and 21(d), the Group has no other material contingent liabilities.

28 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 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, raffles (4 raffles), direct mail appeals (Spring, Christmas and Tax), and community fundraising activities (miscellaneous community fundraisers and corporate volunteering activities). The Group also operates regular giving and a gift-in-wills program.

In the financial year, the Group closed our raffle program, changed the format of the appeals (Spring and Autumn) to a newsletter and soft ask and did not run our community fundraising event, For Fitness Sake, due to COVID-19.

	2020 \$'000	2019 \$'000
Results of Fundraising Appeals - Net Profit		
Gross proceeds from fundraising appeals	3,546	5,363
Less: Direct costs of fundraising appeals	(1,789)	(3,063)
	1,757	2,300

28 Fundraising appeals conducted during the year (continued)

	2020	2019
Comparative Percentages		
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	50.4%	57.1%
Net profit obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	49.6%	42.9%

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.

Direct costs of fundraising appeals as a % of gross proceeds from fundraising appeals excluding raffles was 23%.

We operate 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.

29 Impact of COVID-19

During March 2020, COVID-19 was declared a pandemic by the World Health Organisation and has had a significant impact on domestic and global markets and economies. The impact of the COVID-19 pandemic, which continues to evolve on a daily basis, has significantly affected market volatility, exchange rates, supply chains, consumer demand, liquidity and credit conditions and unemployment rates and in a bid to curtail the spread of COVID-19, travel, trade and social restrictive measures have been imposed by the Australian Government.

These travel and social restrictions have impacted the Group, which had to cease respite and community-based supports provided to customers because these services typically involve face to face contact with customers. The Group has resumed respite and community-based support in line with the easing of state government restrictions. Several of the Group's businesses also temporarily closed in line with government restrictions due to COVID-19.

In March 2020, the Federal Government introduced the JobKeeper program, which broadly comprised a wage subsidy to help qualifying businesses to retain staff. An eligible employer that has suffered the requisite decline in turnover due to the impact of governmental travel and social restrictions imposed during the pandemic would receive JobKeeper funding to retain eligible employees. From 30 March 2020 to 30 June 2020, the Group received \$27,170,000 in JobKeeper funding. During the same period, the Group paid additional wages of \$4,263,000 to meet the requirements of the JobKeeper legislation and continued to employ a significant number of people who were unable to participate fully in employment activities due to the reduction of disability services that the Group was able to provide.

The members of the Group's COVID-19 Pandemic Response Team and the Board are actively managing and monitoring the Group's operations and protocols in response to the evolving COVID-19 pandemic. The extent of the impact COVID-19 may have on the Group's future financial performance and position is currently not known given the degree of uncertainty in the current economic climate.

30 Events occurring after the reporting period

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.

31 Parent entity financial information

(a) Summary financial information

Summarised presentation of the parent entity, Aruma Services, financial statements:

	2020 \$'000	2019 \$'000
Assets		
Current assets	106,288	64,232
Non-current assets	100,832	47,224
Total assets	207,120	111,456
Liabilities		
Current liabilities	88,091	53,747
Non-current liabilities	29,653	3,807
Total liabilities	117,744	57,554
Net assets	89,376	53,902
<i>Shareholders' equity</i>		
Retained earnings	83,844	45,169
Reserves	5,532	8,733
Total equity	89,376	53,902
Profit for the year	36,240	1,350
Total comprehensive income	35,474	1,600

(b) Contingent liabilities of the parent entity

Please refer to Note 21(e) for contingent liabilities relating to the parent entity.

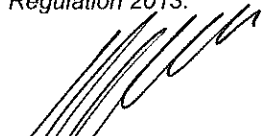
(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (2019: \$nil).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 50 are in accordance with the *Australian Charities and Not-For-Profits Commission Act 2012*, including:
 - (i) complying with Accounting Standards - Reduced Disclosure Requirements 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 2020 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*.



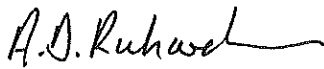
Candice Charles - Chair
Director

Sydney
11th December 2020

Aruma Services
Declaration by CEO in respect of Fundraising Appeals
30 June 2020

I, Andrew Richardson 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 2020;
- (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 2020;
- (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 2020; and
- (d) The internal controls exercised by the group are appropriate and effective in accounting for all income received.



Andrew Richardson – CEO
11th December 2020



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 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 2020
- 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 a summary of significant accounting policies
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2020, 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

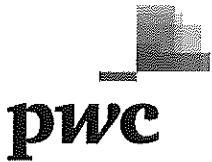
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and for such internal 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 2015

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 2015. 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 2020, 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 2015.
- b) Money received as a result of fundraising appeals conducted during the financial year ended 30 June 2020 has been properly accounted for and applied in accordance with the above-mentioned Act and Regulation.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'EPenny', written in a cursive style.

Eliza Penny
Partner

Sydney
11 December 2020