

# **Mercy Aged & Community Care Ltd**

**ABN 77 191 901 062**

## **Financial Statements**

**For the Year Ended 30 June 2021**

Level 2, 12 Shelley Street  
Richmond Victoria 3121  
Telephone: 03 8416 7777  
Facsimile: 03 8416 7888

# Mercy Aged & Community Care Ltd

For the Year Ended 30 June 2021

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# Mercy Aged & Community Care Ltd

## Directory

For the Year Ended 30 June 2021

### Board of Directors

Ms Virginia Bourke	Chair
Ms Jo Barker	
Ms Margaret Bounader	(Ceased 2 December 2020)
Mr John Corcoran AM	
Mr Martin Day	
Ms Penelope Eden	(Commenced 4 May 2021)
Adjunct Clinical Associate Professor Ian Haines	
Sr Berice Livermore RSM	
Mr Timothy O'Leary	
Adjunct Professor Susan Pascoe AM	
Adjunct Professor Francis Sullivan AO	

### Secretary

Adjunct Professor Stephen Cornelissen	
Ms Alison Moran	(Commenced 15 September 2020)

### Registered Office

Level 2, 12 Shelley Street, Richmond, Victoria 3121

### Principal Place of Business

Level 2, 12 Shelley Street, Richmond, Victoria 3121

### Auditor

Grant Thornton Audit Pty Ltd

# Mercy Aged & Community Care Ltd

## Directors' Report

### For the Year Ended 30 June 2021

Your Directors submit the financial report of Mercy Aged & Community Care Ltd (the "Company") for the financial year ended 30 June 2021.

The names of Directors throughout the financial year and at the date of this report are:

Ms Virginia Bourke	Chair
Ms Jo Barker	
Ms Margaret Bounader	(Ceased 2 December 2020)
Mr John Corcoran AM	
Mr Martin Day	
Ms Penelope Eden	(Commenced 4 May 2021)
Adjunct Clinical Associate Professor Ian Haines	
Sr Berice Livermore RSM	
Mr Timothy O'Leary	
Adjunct Professor Susan Pascoe AM	
Adjunct Professor Francis Sullivan AO	

## Company Objectives

Mercy Aged & Community Care Ltd is established for the following purposes:

1. providing health care and aged care services including:
  - a. delivering health, aged care and home care services through the facilities of the Institute of Sisters of Mercy of Australia and Papua New Guinea including hospices, residential aged care facilities, retirement villages and in homes;
  - b. undertaking promotional and educational activities about health and aged care;
  - c. engaging in scientific research into health and aged care;
  - d. delivering health and aged care to the sick, aged or dying; and
  - e. providing diagnostic and treatment-related services to inpatients and outpatients in a hospital, clinic and home settings;
2. establishing, maintaining, owning, managing, operating, transferring, conveying or acquiring services and facilities which support any or all purposes of the Company;
3. maintaining and exercising such supervisory and controlling functions in relation to the facilities of the Institute of Sisters of Mercy of Australia and Papua New Guinea as determined from time to time by the Institute Leader or Institute Council;
4. furthering any of the charitable, scientific, religious and education activities in which the Company or the Institute of Sisters of Mercy of Australia and Papua New Guinea are engaged in relation to health and aged care; and
5. ensuring that all activities of the Company are carried out in keeping with the vision, mission, philosophy and values of the Institute of Sisters of Mercy of Australia and Papua New Guinea and the teaching of the Roman Catholic Church.

# Mercy Aged & Community Care Ltd

## Directors' Report

For the Year Ended 30 June 2021

### Principal Activities

Mercy Aged & Community Care Ltd is a Catholic community benefit organisation founded by the Institute of Sisters of Mercy of Australia and Papua New Guinea to provide health, aged care and home care services. These services are delivered through facilities across Australia and directly to people's homes.

### Operating Result

The loss of Mercy Aged & Community Care Ltd after providing for income tax amounted to \$7,775,000 (2020 Restated: \$1,133,000 loss).

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, Mercy Aged & Community Care Ltd. was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Mercy Aged & Community Care Ltd introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements, where appropriate.

The costs currently incurred by Mercy Aged & Community Care Ltd in relation to COVID-19 have had a significant impact on the financial result for the 2021 financial year and have been largely funded by higher government funding. Additional costs incurred to implement COVID safe practices included increased cleaning, increased security, consumption of personal protective equipment. The COVID-19 pandemic continues to evolve and will impact operations, particularly occupancy, over the next 12 months, however these impacts cannot be quantified at this time.

# Mercy Aged & Community Care Ltd

## Directors' Report

For the Year Ended 30 June 2021

### Members of the Board

The names, qualifications, effective date changes, eligibility and attendance of the Directors throughout the year are:

Director	Effective date of any changes	Meetings held (eligible to attend)	Meetings attended
Ms Virginia Bourke, BA, LL.B Hons, MA, FAICD		10	10
Ms Jo Barker, B Comm, ACA, GAICD		10	10
Ms Margaret Bounader, BBus, BA, GAICD	Ceased 2 December 2020	6	6
Mr John Corcoran AM, BEc, LLB		10	9
Mr Martin Day, Associate Dip Valuations and Real Estate Management, MBA, FAICD, GAIST Adv		10	10
Ms Penelope Eden, LLB, Cert. Nursing	Commenced 4 May 2021	2	2
Adjunct Clinical Associate Professor Ian Haines, MBBS Hons, FRACP, FACHPM		10	10
Sr Berice Livermore RSM, RN, MN, Bachelor of Health Administration, Dip of Theology		10	10
Mr Timothy O'Leary, BA Hons, Grad Dip Applied Philosophy		10	8
Adjunct Professor Susan Pascoe AM, BA, Dip Ed, Grad Dip Special Ed, M Ed Admin (Hons), FAICD, FIPAA, FACE		10	10
Adjunct Professor Francis Sullivan AO, BA, Dip Ed, MA		10	10

### After Reporting Period Events

During the financial year the COVID-19 pandemic has had a significant impact on local and international economies. Subsequent to balance date, another wave of the COVID-19 pandemic has occurred within NSW and Victoria. While the short-term impact to the Company has been estimated when considering the going concern assumption in the preparation of the financial report, the longer term impacts of COVID-19 on the operations of the Company remain uncertain and cannot be quantified at this time.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of Mercy Aged & Community Care Ltd, the results of those operations, or the state of affairs of the Mercy Aged & Community Care Ltd in future financial years.

# Mercy Aged & Community Care Ltd

## Directors' Report

For the Year Ended 30 June 2021

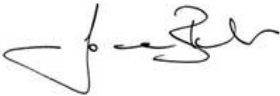
### Membership

The Company has one class of membership, and as at 30 June 2021, 1 member. Should the Company be wound up, each current member or former member (who was a member during the year prior to commencement of the winding up) must contribute \$100 to the Company's obligations.

Signed in accordance with a resolution of the Company.



Ms Virginia Bourke  
Chair



Ms Jo Barker  
Director

Dated the 5<sup>th</sup> day of October 2021  
Melbourne, Victoria

# Mercy Aged & Community Care Ltd

## Directors' Declaration

For the Year Ended 30 June 2021

The Directors of the Company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:
  - (a) Comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013; and
  - (b) Give a true and fair view of the entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Ms Virginia Bourke  
Chair



Ms Jo Barker  
Director

Dated the 5<sup>th</sup> day of October 2021  
Melbourne, Victoria

# Mercy Aged & Community Care Ltd

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

		2021	Restated 2020
	Note	\$'000	\$'000
Revenue from Continuing Operations	2.1	342,051	351,447
<b>Expenses</b>			
Employee Benefits		(239,906)	(240,911)
Fee For Service Medical Officers		(7,966)	(7,893)
Supplies & Consumables		(27,416)	(26,500)
Transport, Communication & Office Costs		(12,399)	(13,930)
Other Expenses		(23,195)	(24,996)
<b>Surplus before Interest, Tax, Depreciation, Amortisation &amp; Impairment</b>		<b>31,169</b>	<b>37,217</b>
Interest Revenue	2.1	5,085	8,768
Depreciation, Amortisation and Impairment	2.2	(21,602)	(20,920)
Finance Costs	2.2	(22,427)	(26,198)
<b>Deficit before Income Tax Expense</b>		<b>(7,775)</b>	<b>(1,133)</b>
Income Tax Expense	2.2	-	-
<b>Deficit for the Year</b>		<b>(7,775)</b>	<b>(1,133)</b>
<b>Other Comprehensive Income</b>			
Items that May be Reclassified to Profit or Loss:			
Changes to the Fair Value of Financial Assets		1,484	(43)
<b>Total Other Comprehensive Income/(Loss)</b>		<b>1,484</b>	<b>(43)</b>
<b>Total Comprehensive Loss For The Year</b>		<b>(6,291)</b>	<b>(1,176)</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Mercy Aged & Community Care Ltd

## Statement of Financial Position

As at Year Ended 30 June 2021

		2021	Restated 2020
	Note	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4.2	201,044	285,656
Trade and Other Receivables	3.4	93,187	76,037
<b>Total Current Assets</b>		<b>294,231</b>	<b>361,693</b>
<b>Non Current Assets</b>			
Other Financial Assets	3.7	85,872	14,700
Intangible Assets	3.6	93,769	94,300
Property, Plant and Equipment	3.1	379,683	383,946
Investment Properties	3.2	91,846	83,362
<b>Total Non Current Assets</b>		<b>651,170</b>	<b>576,308</b>
<b>TOTAL ASSETS</b>		<b>945,401</b>	<b>938,001</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	3.5	58,028	50,400
Borrowings	4.1	164,829	156,250
Resident Liabilities	3.3	420,884	439,532
Provisions	5.1	33,401	31,279
<b>Total Current Liabilities</b>		<b>677,142</b>	<b>677,461</b>
<b>Non Current Liabilities</b>			
Trade and Other Payables	3.5	1,592	244
Borrowings	4.1	131,600	119,284
Provisions	5.1	7,819	7,473
<b>Total Non Current Liabilities</b>		<b>141,011</b>	<b>127,001</b>
<b>TOTAL LIABILITIES</b>		<b>818,153</b>	<b>804,462</b>
<b>NET ASSETS</b>		<b>127,248</b>	<b>133,539</b>
<b>EQUITY</b>			
Accumulated Surplus		125,563	133,452
Reserves	6.1	1,685	87
<b>TOTAL EQUITY</b>		<b>127,248</b>	<b>133,539</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Mercy Aged & Community Care Ltd

## Statement of Changes in Equity

For the Year Ended 30 June 2021

	Accumulated Surplus \$'000	Financial Asset Reserve \$'000	Resident Reserves \$'000	Total \$'000
<b>2021</b>				
Balance as at 1 July 2020	133,452	(163)	250	133,539
Loss for the Year	(7,775)	-	-	(7,775)
Other Comprehensive Income	-	1,484	-	1,484
Total Comprehensive Income/(Loss) for the Year	(7,775)	1,484	-	(6,291)
Transfer between Reserves	(114)	166	(52)	-
<b>Balance at 30 June 2021</b>	<b>125,563</b>	<b>1,487</b>	<b>198</b>	<b>127,248</b>
<b>2020</b>				
Restated Balance as at 1 July 2019 (see Note 1)	134,439	(120)	396	134,715
Loss for the Year	(1,133)	-	-	(1,133)
Other Comprehensive (Loss)	-	(43)	-	(43)
Total Comprehensive (Loss) for the Year	(1,133)	(43)	-	(1,176)
Transfer between Reserves	146	-	(146)	-
<b>Balance at 30 June 2020</b>	<b>133,452</b>	<b>(163)</b>	<b>250</b>	<b>133,539</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Mercy Aged & Community Care Ltd

## Statement of Cash Flows

For the Year Ended 30 June 2021

		Restated
		2021
		2020
	Note	\$'000
		\$'000
<b>Cash Flows from Operating Activities</b>		
Operating Grants from Government Received		209,726
Management Fees Received		25,984
Donations and Bequests Received		44
Resident and Client Fees Received		83,486
Interest Received		4,892
GST Received from the ATO		7,590
Other Income Received		7,389
Employee Benefits Paid		(240,208)
Payments to Suppliers		(76,905)
Finance Costs Paid		(3,010)
<b>Net Cash Inflow from Operating Activities</b>		<b>18,988</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment – Residential Aged Care		(5,073)
Purchase of Property, Plant & Equipment – Other		(5,417)
Proceeds on the sale of intangibles		-
Proceeds from the sale of Property, Plant & Equipment		-
Purchase of Investment Properties		(656)
Purchase of Financial Assets		(68,280)
(Payments to)/Receipts from Related Parties		4,624
<b>Net Cash Outflow from Investing Activities</b>		<b>(74,802)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of Borrowings		(12,695)
Decrease in Resident Trust Fund		(44)
Accommodation Bonds/Refundable Deposits Received		90,091
Accommodation Bonds/Refundable Deposit Refunds		(108,281)
Resident ILU Liabilities Received		6,600
Resident ILU Liabilities Refunded		(4,566)
<b>Net Cash (Outflow)/ Inflow from Financing Activities</b>		<b>(28,895)</b>
<b>Net (Decrease)/ Increase in Cash and Cash Equivalents</b>		<b>(84,709)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>280,846</b>
<b>Cash and Cash Equivalents at End of Year</b>	4.2	<b>196,137</b>
		<b>280,846</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### New Accounting Standards and Interpretations

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

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

#### Statement of Compliance

These general purpose financial statements have been prepared in accordance with, the Australian Charities and Not-for-Profits Commission Act 2012 and Australian Accounting Standards – Reduced Disclosure Requirements, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the Company. At 30 June 2021, the number of members was 1 (2020: 1).

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of Preparation

The financial statements are prepared in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The financial statements of Mercy Aged & Community Care Ltd for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 5<sup>th</sup> October 2021.

#### Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs except for the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Accounting Estimates & Judgements

Estimates and judgements have been incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates and Judgements	Note
Fair Value of Investment Properties	Note 3.2
Fair Value of Bed Licences	Note 3.6
Fair Value of Customer Relationships	Note 3.6
Allowance for Expected Credit Losses	Note 3.4
Measurement of Annual Leave and Long Service Leave Provisions	Note 5.1
Lease Terms and Borrowing Rate	Note 4.1

#### Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### COVID Disclosures

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, Mercy Aged & Community Care Ltd. was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Mercy Aged & Community Care Ltd introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements, where appropriate.

The costs currently incurred by Mercy Aged & Community Care Ltd in relation to COVID-19 have had a significant impact on the financial result for the 2021 financial year and have been largely funded by higher government funding. Additional costs incurred to implement COVID safe practices included increased cleaning, increased security, consumption of personal protective equipment. The COVID-19 pandemic continues to evolve and will impact operations, particularly occupancy, over the next 12 months, however these impacts cannot be quantified at this time.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Change in Accounting Policy

##### Property, Plant & Equipment - Valuation of Land and Buildings

The Company has adopted a change in accounting policy in the current financial year 30 June 2021 whereby land and buildings are carried at historical cost less accumulated depreciation. Previously, land and buildings have been accounted for at fair value less accumulated depreciation and less any impairment losses. This change in accounting policy has resulted in a reduction in the carrying value of land and buildings in the current year of \$197,787,000 and a reduction in depreciation expense of \$4,457,000.

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Directors believe this change in policy provides more reliable and relevant information about the effects of transactions and conditions on the entity's financial position and performance to the company's stakeholders and users of financial statements.

The change in accounting policy results in alignment with the sector's common policy choice in respect to the subsequent measurement of land and buildings and provides users with more relevant financial information allowing comparability of reported financial information with other aged care providers.

The change in accounting policy has no impact on reported cash flows of the company.

##### Property, Plant and Equipment – Capitalisation of Software as a Service Costs

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented in Note 2.2. This change in accounting policy has resulted in a reduction of the carrying value of software assets in the current year of \$6,727,000 and a reduction in amortisation expense of \$1,989,000 and an increase to other expenses of \$618,000.

In accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the above changes in accounting policies have been applied retrospectively. For each prior period presented the impact to each financial statement line affected has been presented below.

	30 June 2020 \$'000	Increase/ (Decrease) \$'000	30 June 2020 Restated \$'000	1 July 2019 \$'000	Increase/ (Decrease) \$'000	1 July 2019 Restated \$'000
<b>Balance sheet (extract)</b>						
Property Plant & Equipment	594,288	(210,342)	383,946	471,491	(214,319)	257,172
Trade and Other Payables	(50,325)	(75)	(50,400)	(40,434)	-	(40,434)
Net Assets	343,956	(210,417)	133,539	349,034	(214,319)	134,715
Accumulated Surplus	134,945	(1,493)	133,452	143,172	(8,733)	134,439
Reserves	209,011	(208,924)	87	205,862	(205,586)	276
Total Equity	343,956	(210,417)	133,539	349,034	(214,319)	134,715

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Change in Accounting Policy (Continued)

	30 June 2020 \$'000	Increase/ (Decrease) \$'000	30 June 2020 Restated \$'000
<b>Statement of Profit or Loss (extract)</b>			
Other Expenses	(24,370)	(626)	(24,996)
Depreciation, Amortisation and Impairment	(28,787)	7,867	(20,920)
<b>Deficit for the Year</b>	(8,373)	7,240	(1,133)
<b>Other Comprehensive Income</b>			
Gain on Revaluation of Land and Buildings	3,338	(3,338)	-
<b>Total Comprehensive Loss For The Year</b>	(5,078)	3,902	(1,176)
	30 June 2020 \$'000	Increase/ (Decrease) \$'000	30 June 2020 Restated \$'000
<b>Statement of Cash Flows (extract)</b>			
Payments to Suppliers	(79,240)	(600)	(79,840)
<b>Net Cash Inflow From Operating Activities</b>	27,637	(600)	27,037
Purchase of Property, Plant & Equipment - Other	(7,383)	600	(6,783)
<b>Net Cash Outflow from Investing Activities</b>	(36,325)	600	(35,725)
	Valuation of Land and Buildings \$'000s	Capitalisation of Software as a Service \$'000	30 June 2020 Increase/ (Decrease) \$'000
<b>Statement of Financial Position (extract)</b>			
Property Plant and Equipment	(202,244)	(8,098)	(210,342)
Trade and Other Payables	(75)	-	(75)
<b>Net Assets</b>	(202,319)	(8,098)	(210,417)
Accumulated Surplus	6,605	(8,098)	(1,493)
Reserves	(208,924)	-	(208,924)
<b>Total Equity</b>	(202,319)	(8,098)	(210,417)

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 2 BUSINESS PERFORMANCE

This section provides the information that is most relevant to understanding the financial performance of the Company during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

#### NOTE 2.1 REVENUE FROM CONTINUING OPERATIONS

##### Revenue Recognition

###### *Aged care and home care*

The Company recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of aged care and home care services performed are recognised as contract liabilities.

###### *Nature of aged care, home care and retirement living revenue and cash flows*

Type of revenue	Description	Type of services
Government contributions	Government revenue reflects the Company's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted/updated daily and Government revenue is usually payable within approximately one month of services having been performed.	Aged care and home care
Resident/ client fees	<p>Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.</p> <p>Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Company and includes means tested care fees, Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income. Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.</p>	Aged care

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 2 BUSINESS PERFORMANCE (Continued)

#### NOTE 2.1 REVENUE FROM CONTINUING OPERATIONS (Continued)

##### Revenue Recognition (Continued)

Type of revenue	Description	Type of services
Deferred management fee (DMF) revenue	DMF revenue represents a fee that is contractually deducted from the ingoing contribution. The ingoing contribution is paid back to a resident (net of DMF) upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of a resident.	Retirement living
Other operating revenue	Other operating revenue comprises rental income, aged care bond retention amounts and other sundry revenue. Revenue is recognised over time as services are provided. Residents are typically invoiced on a monthly basis and revenue is usually payable within 30 days.	Aged care, home care and retirement living

##### *Donations, bequests and fundraising revenue*

Donations, bequests and fundraising revenue are recognised only when the Company gains control of the funds and when the funds do not give rise to an obligation.

##### *Interest revenue*

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

##### *Other revenue*

Other revenue is recognised when performance obligations are fulfilled.

The Company, as a private sector not-for-profit entity, has elected not to recognise the financial impact of any volunteer services provided.

	2021 \$'000	Restated 2020 \$'000
<b>Aged Care, Home Care and Retirement Living Revenue</b>		
Government Contributions	209,726	203,954
Resident/Client Fees	80,167	94,556
Deferred Management Fees	1,552	1,742
Other Operating Revenue	50,372	48,434
	<b>341,817</b>	<b>348,686</b>
<b>Other Revenue</b>		
Donations, Bequests and Fundraising	44	179
Other Revenue	190	2,582
	<b>234</b>	<b>2,761</b>
<b>Total Revenue</b>	<b>342,051</b>	<b>351,447</b>
<b>Interest Revenue</b>	<b>5,085</b>	<b>8,768</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 2 BUSINESS PERFORMANCE (Continued)

#### NOTE 2.2 EXPENSES

##### Recognition and Measurement

##### Depreciation

The depreciable amount of all property, plant and equipment, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Right of use assets and leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the underlying asset. The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

	2021	2020
Land – Right of Use	Up to 75 years	Up to 75 years
Buildings – Owned	Up to 40 years	Up to 40 years
Buildings – Right of Use	Up to 40 years	Up to 40 years
Motor Vehicles – Right of Use	Up to 5 years	Up to 5 years
Leasehold Improvements	1 to 40 years	1 to 25 years
Plant & Equipment	1 to 10 years	1 to 10 years
Furniture & Fittings	1 to 10 years	1 to 10 years

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

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

##### Gains or Losses on Disposal

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss in the determination of Total Comprehensive Income.

##### Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least annually at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

##### Income Taxes

Mercy Aged & Community Care Ltd is a registered public benevolent institution and exempt from paying income taxes at this time.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 2 BUSINESS PERFORMANCE (Continued)

#### NOTE 2.2 EXPENSES (Continued)

##### Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, impairment losses are recognised in profit or loss in the determination of Total Comprehensive Income..

	2021	Restated 2020
	\$'000	\$'000
<b>Depreciation</b>		
Plant & Equipment		
Plant	1,389	1,384
Major Medical	193	152
Computers & Communication	2,282	1,805
Transport	37	69
Other Equipment	7	6
Right of Use	9,210	8,889
Furniture & Fittings	1,065	1,348
Buildings	9	9
Leasehold Improvements	6,978	6,974
<b>Total Depreciation</b>	<b>21,170</b>	<b>20,636</b>
<b>Amortisation</b>		
Intangibles	51	284
<b>Total Amortisation</b>	<b>51</b>	<b>284</b>
Impairment of assets	381	-
<b>Total Depreciation and Amortisation from Continuing Operations</b>	<b>21,602</b>	<b>20,920</b>
 <b>Defined Contribution Superannuation Expense from Continuing Operations</b>	 <b>19,205</b>	 <b>19,162</b>
 <b>Rental Expenses Relating to Short Term and Low Value Leases from Continuing Operations</b>	 <b>1,573</b>	 <b>1,573</b>
 Interest on Short Term Borrowings	 1,101	 1,316
Interest on Related Party Advances	960	1,537
Interest on RADs and Bonds	14,298	17,626
Interest on Leases	6,068	5,719
<b>Total Finance Costs from Continuing Operations</b>	<b>22,427</b>	<b>26,198</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES

This section provides information relating to the operating assets and liabilities of the Company.

#### NOTE 3.1 PROPERTY, PLANT & EQUIPMENT

##### Recognition and Measurement

###### *Land and Buildings – Right of Use*

Land and buildings are held under a lease arrangement. These land and buildings are initially recognised at historical cost less accumulated depreciation and any impairment in value.

###### *Land and Buildings – Owned*

Land and buildings are initially recognised at historical cost less accumulated depreciation and any impairment in value.

Following initial recognition at cost, land and buildings have historically been carried at fair value less accumulated depreciation and accumulated impairment losses. The Company has revised the accounting policy in the current year on 30 June 2021 and land and buildings are now held at historical cost less accumulated depreciation. Refer to Notes 1 for further details.

###### *Leasehold Improvements*

Leasehold improvements are measured on a cost basis less depreciation and impairment losses. The carrying amount is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

###### *Plant and Equipment and Furniture and Fittings*

Plant and equipment and furniture and fittings are measured on a cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the determination of Total Comprehensive Income during the financial period in which they are incurred.

##### **Accounting Estimates & Judgements: Accounting for Software as a Service Costs**

###### *Capitalisation of configuration and customisation costs in SaaS arrangements*

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications (referred to as bridging modules or APIs). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 Intangible Assets.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.1 PROPERTY, PLANT & EQUIPMENT (Continued)

During the year, the Company recognised \$nil (2020: \$nil) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

*Determination whether configuration and customisation services are distinct from the SaaS access*

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the directors applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant. During the year, the Company recognised \$nil (2020: \$nil) as prepayments in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.

	2021 \$'000	Restated 2020 \$'000
<b>Right of Use</b>		
Land – Right of Use Related Parties	60,125	60,125
Building – Right of Use Related Parties	111,914	113,004
Less Accumulated Depreciation	(17,764)	(14,539)
Subtotal – Building – Right of Use Related Parties	154,275	158,590
Buildings and Motor Vehicles – Right of Use External Parties	38,719	23,897
Less Accumulated Depreciation	(9,551)	(4,839)
Subtotal – Buildings and Motor Vehicles – Right of Use External Parties	29,168	19,058
<b>Total Right of Use</b>	<b>183,443</b>	<b>177,648</b>
<b>Freehold Land and Buildings</b>		
Freehold Land	155	155
Buildings – Owned	203	203
Less Accumulated Depreciation	(95)	(86)
Subtotal – Buildings – Owned	108	117
<b>Total Freehold Land and Buildings</b>	<b>263</b>	<b>272</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.1 PROPERTY, PLANT & EQUIPMENT (Continued)

	2021 \$'000	Restated 2020 \$'000
<b>Buildings – Leaseholds and Improvements</b>		
Leaseholds & Improvements	216,727	205,838
Less Accumulated Amortisation & Impairment	(49,762)	(42,788)
<b>Total Buildings – Leasehold and Improvements</b>	<b>166,965</b>	<b>163,050</b>
<b>Plant &amp; Equipment</b>		
Plant	16,568	15,478
Less Accumulated Depreciation & Impairment	(8,307)	(6,933)
<b>Subtotal – Plant</b>	<b>8,261</b>	<b>8,545</b>
Transport	297	297
Less Accumulated Depreciation & Impairment	(171)	(133)
<b>Subtotal – Transport</b>	<b>126</b>	<b>164</b>
Major Medical	2,369	1,661
Less Accumulated Depreciation & Impairment	(657)	(464)
<b>Subtotal – Major Medical</b>	<b>1,712</b>	<b>1,197</b>
Computers & Communication	16,352	15,503
Less Accumulated Depreciation & Impairment	(13,725)	(11,442)
<b>Subtotal – Computers &amp; Communication</b>	<b>2,627</b>	<b>4,061</b>
Other Equipment	244	230
Less Accumulated Depreciation & Impairment	(158)	(151)
<b>Subtotal – Other Equipment</b>	<b>86</b>	<b>79</b>
<b>Total Plant &amp; Equipment</b>	<b>12,812</b>	<b>14,046</b>
<b>Furniture &amp; Fittings</b>		
Furniture & Fittings	18,663	18,460
Less Accumulated Depreciation & Impairment	(12,187)	(11,166)
<b>Total Furniture &amp; Fittings</b>	<b>6,476</b>	<b>7,294</b>
<b>Work in Progress</b>	<b>9,724</b>	<b>21,636</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>379,683</b>	<b>383,946</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.1 PROPERTY, PLANT & EQUIPMENT (Continued)

Reconciliations of the carrying amounts of each class of asset at the beginning and end of the current financial year are set out below:

	Right of Use \$'000	Freehold Land & Buildings \$'000	Buildings - Leasehold Improvements \$'000	Plant & Equipment \$'000	Furniture & Fittings \$'000	WIP \$'000	Total \$'000
<b>Restated Balance 1 July 2020 (a) (b)</b>	<b>177,648</b>	<b>272</b>	<b>163,050</b>	<b>14,046</b>	<b>7,294</b>	<b>21,636</b>	<b>383,946</b>
Additions	358	-	115	1,546	102	8,369	10,490
Additions through finance lease	15,492	-	-	-	-	-	15,492
WIP transfers	10,242	-	-	1,069	185	(11,496)	-
Net transfers between classes	(10,858)	-	10,776	95	(13)	-	-
Transfers from Investment Property	-	-	2	-	-	(7,830)	(7,828)
Disposals	(73)	-	-	(36)	(27)	(731)	(867)
Impairment	(156)	-	-	-	-	(225)	(381)
Depreciation (refer note 2.2)	(9,210)	(9)	(6,978)	(3,908)	(1,065)	-	(21,170)
<b>Balance at 30 June 2021</b>	<b>183,443</b>	<b>263</b>	<b>166,965</b>	<b>12,812</b>	<b>6,476</b>	<b>9,724</b>	<b>379,683</b>

- (a) The Company has adopted a change in accounting policy in the current financial year 30 June 2021 whereby land and buildings are carried at historical cost less accumulated depreciation. Previously, land and buildings have been accounted for at fair value less accumulated depreciation and less any impairment losses.

Refer to Note 1 for further details.

- (b) The Company revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC.

Refer to Note 1 for further details.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.2 INVESTMENT PROPERTY

##### Recognition and Measurement

Investment property is leased property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are carried at fair value based on periodic valuations by external independent valuers. Changes to fair value are recorded in profit or loss in the determination of Total Comprehensive Income. Fair value has been determined on the basis of fair value less costs to sell. Investment properties are not depreciated. Independent living units represent investment property.

##### Recognised Fair Value Measurements

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the financial statements.

##### *Valuation Technique*

The Company obtains independent valuations for its investment properties periodically.

At the end of each reporting period the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. For investment properties this involves rental income projections based on a property's estimated net income (deferred management fee) and a capitalisation rate derived from an analysis of market evidence.

##### *Valuation Inputs*

The following significant unobservable inputs were used in the fair value measurements:

- Discount rate
- Capitalisation rate
- Market rent

##### Accounting Estimates & Judgements: Fair Value of Investment Property

Investment properties are measured at fair value. Judgements and estimates have been made in determining fair value. These are based on the policy disclosed in this note.

	2021	Restated 2020
	\$'000	\$'000
<b>At Fair Value</b>		
Investment Properties – Right of Use	<b>91,846</b>	<b>83,362</b>

Reconciliations of the carrying amount at the beginning and end of the financial year are set out below:

<b>Balance at 1 July 2020</b>	<b>83,362</b>
Additions	656
Transfers from Property, Plant & Equipment	7,828
<b>Balance at 30 June 2021</b>	<b>91,846</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.2 INVESTMENT PROPERTY (Continued)

##### Contractual Obligations

The Company has commitments to purchase or redevelop investment property contracted at 30 June 2021 but not recognised as a liability of \$102,000 (2020: \$2,284,896). The Company has commitments for repairs, maintenance or enhancements contracted at 30 June 2021 but not recognised as a liability of \$nil (2020: \$ nil).

#### NOTE 3.3 RESIDENT LIABILITIES

##### Recognition and Measurement

RADs and accommodation bonds are non-interest bearing deposits made by aged care home residents to the Company upon admission. These deposits are liabilities which fall due and payable when the resident leaves the home. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities. RAD and accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

Resident Liabilities are the refundable portion of ingoing contributions made in respect of Independent Living Units subject to the Retirement Villages Act. Resident liabilities are returned to tenants net of deferred management fee (if applicable) upon expiry of the lease or when they vacate the property.

##### *RADs in which the Company is a lessor*

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit (RAD) or bond (prior to July 2014), the Company receives a financing benefit, being non-cash consideration, in the form of an interest free loan. The fair value of this non-cash consideration is required, under AASB 16 and AASB 9 to be recognised as rental income (to reflect the resident's occupancy of the room) and corresponding interest expense (to record the financial liability associated with RADs and bonds at fair value) with no net impact on profit or loss. This resulted in the Company recognising rental income and interest expense of \$13,349,000 (2020: \$16,685,000) for the 2021 financial year.

This is calculated based on average RAD / accommodation bond balances, excluding any RADs/accommodation bonds awaiting refund/probate and the Maximum Permissible Interest Rate (MPIR), which is a Commonwealth Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adoption of AASB 16.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.3 RESIDENT LIABILITIES (Continued)

	2021 \$'000	Restated 2020 \$'000
<b>Current</b>		
Refundable Accommodation Deposits and Accommodation Bonds	367,987	387,240
Resident Unit Liabilities	52,897	52,292
<b>Total Resident Liabilities</b>	<b>420,884</b>	<b>439,532</b>

From 1 July 2007, pursuant to the Aged Care Act 1997, interest is paid on Refundable Accommodation Deposits ("RAD's") and Accommodation Bonds following departure (or death) of a resident until RAD repayment. Interest is required to be paid at two different rates, which are legislated on a quarterly basis:

- at the base interest rate for the period between the date of the refunding event and the earlier of the date the balance is refunded and the date the legislated timeframe for the refund of the balance expires;
- at the maximum permissible interest rate for the period after the end of the legislated time frame (or the time set out in the Formal Agreement) until the balance is refunded;
- Base interest for the year ended 30 June 2021 was 2.25% (2020: 2.25%).

#### NOTE 3.4 TRADE AND OTHER RECEIVABLES

##### Recognition and Measurement

##### Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses. No interest is charged on trade debtors, with the exception of amounts receivable from related parties when interest is charged at short term money market rates. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

##### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except for Receivables and Payables which are stated with the amount of GST included and except, where the amount of GST is recognised as part of the cost of acquisition of an asset or part of an item of expense or revenue. GST receivable from and payable to the Australian Taxation Office (ATO) is included in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.4 TRADE AND OTHER RECEIVABLES (Continued)

##### Contract Assets

Contract assets are recognised when the Company has transferred goods or services to the customer but where the Company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

##### Accounting Estimates & Judgements: Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

	2021 \$'000	Restated 2020 \$'000
<b>Current</b>		
Sundry Debtors	5,664	1,265
Refundable Accommodation Deposits & Accommodation Bonds Receivable	1,262	974
Residents Fees	9,824	3,870
GST Receivable	712	1,008
Contract Assets	2,092	2,553
Prepayments	6,237	6,425
Receivables from Related Parties	67,685	60,376
	<b>93,476</b>	<b>76,471</b>
Allowance for Expected Credit Losses	(289)	(434)
<b>Total Receivables</b>	<b>93,187</b>	<b>76,037</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.5 TRADE & OTHER PAYABLES

##### Recognition and Measurement

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The normal credit terms are usually net 30 days. No interest is charged on external trade and other payables while the invoice is current. Specific suppliers may choose to charge interest after that period however the Company monitors cash flow so that suppliers are paid within normal credit terms. Interest is charged on amounts payable to related parties at short term money market rates.

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
<b>Current</b>		
Trade Creditors	3,191	4,376
Accrued Expenses	6,313	10,078
Accrued Salaries & Wages	4,037	6,807
Funds Held in Trust	175	219
Contract Liabilities	38,543	27,776
Other Payables	5,769	1,144
<b>Total Current</b>	<b>58,028</b>	<b>50,400</b>
<b>Non Current</b>		
Accrued Expenses	1,592	244
<b>Total Non Current</b>	<b>1,592</b>	<b>244</b>
<b>Total Trade and Other Payables</b>	<b>59,620</b>	<b>50,644</b>

##### Contract liabilities

Contract liabilities also represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.6 INTANGIBLES

##### Recognition and Measurement

##### Customer Relationships

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

##### Accounting Estimates & Judgements: Fair Value of Customer Relationships

The Company recognises the fair value of all identifiable assets upon a business combination. Recently acquired businesses which operate in the Home and Community Care sector had a number of pre-existing customer relationships (both contractual and constructive) in place. The Company originally recognised these assets as identifiable assets and amortised them on a straight line basis with 5 years remaining. The recoverable amounts of cash generating units have been determined based on value in use calculations. The related intangible asset value is supported by its value in use calculation and no impairment has been recognised (2020: \$nil). See Note 3.1 for detail of fair value measurements and key assumptions used.

##### Aged Care Bed Licences

Bed licences have been initially recognised at fair value upon issue from the Federal Government which is deemed to represent cost under AASB 138 Intangible Assets and AASB 1058 Income of Not-for-Profit Entities. Licences acquired through business acquisition have been recognised at fair value at the time of acquisition.

The entity considers the licences to have an indefinite useful life and as such does not amortise them. The licences are reviewed annually to assess whether there has been any impairment in their value as further explained in impairment of assets in Note 2.2. Where the balance exceeds the value of the expected future benefits, the difference is charged to profit or loss. The related intangible asset value is supported through the fair value calculation and no impairment has been recognised (2020: \$nil) in the Company.

The current Government has stated its intention to abolish bed licence restrictions and the Aged Care Approval Rounds ("ACAR") from 1 July 2024. This proposal has the potential to impact the accounting value of bed licences. At 30 June 2021, the Company recognises bed licences at a book value of \$34,500 per licence. Legislation has not yet been drafted or passed to give effect to this intention and the exact nature of any changes to the licencing regime remains uncertain at the date of this report. Until such time as any legislation is passed, Approved Providers will still be required to own bed licences to be eligible for Government subsidies under the Aged Care Act. As a result, the Company has determined that bed licences continue to have an indefinite life and the carrying value remains appropriate at the date of this report.

##### Accounting Estimates & Judgements: Valuation of Bed Licences

Bed licences are reviewed annually to assess whether there has been any impairment in their value. The recoverable amounts of cash generating units have been determined based on fair value less costs to sell valuations.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.6 INTANGIBLES (Continued)

	2021	Restated 2020
Current	\$'000	\$'000
Bed Licences		
Balance at the Beginning of the Reporting Period	94,147	96,957
Recognition of Licences During the Year	400	-
Disposal of Lapsed Licences During the Year	(880)	-
Sale of Licences During the Year	-	(2,810)
Balance at the End of the Reporting Period	<b>93,667</b>	<b>94,147</b>
Customer Relationships		
Balance at the Beginning of the Reporting Period	153	313
Additions during the year	-	124
Amortisation during the year	(51)	(284)
Balance at the End of the Reporting Period	<b>102</b>	<b>153</b>
<b>Total Intangibles</b>	<b>93,769</b>	<b>94,300</b>

### NOTE 3.7 OTHER FINANCIAL ASSETS

#### Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

#### Amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

At 30 June 2021 amounts held at amortised costs were \$nil (2020: \$nil)

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.7 OTHER FINANCIAL ASSETS

##### Fair value through other comprehensive income ("FVOCI")

FVOCI comprise:

- Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses and interest income which are recognised in profit or loss. On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to accumulated surplus. On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

##### Fair value through profit or loss ("FVPL")

The Company classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- Equity investments that are held for trading, and
- Equity investments for which the Company has not elected to recognise fair value gains and losses through OCI.

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
<b>Non Current</b>		
Held at FVOCI	57,943	7,906
Held at FVPL	27,929	6,794
<b>Total Non Current Financial Assets</b>	<b>85,872</b>	<b>14,700</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 3 OPERATING ASSETS AND LIABILITIES (Continued)

#### NOTE 3.7 OTHER FINANCIAL ASSETS (Continued)

##### Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 4 CAPITAL MANAGEMENT

This section provides information relating to the Company's capital structure and its exposure to financial risk, how they affect the Company's financial position and performance, and how the risks are managed. The capital structure of the Company consists of debt and equity.

#### NOTE 4.1 BORROWINGS

##### Recognition and measurement

##### Financial Liabilities

Financial liabilities, including borrowings are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on an effective yield basis.

The effective interest method calculates amortised cost and allocates interest expense over the relevant period so that estimated future cash payments are exactly discounted over the expected life of the liability.

##### Leases

##### *Leases in which the Company is a lessee*

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

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

##### *Leases in which the Company is a lessor*

Contracts with residents includes provisions for room details, fees, charges and payments. The Company has concluded that its accommodation arrangements relating to the provision of residential aged care and retirement living accommodation contains a lease, being the exclusive right to the use of an identified room/unit by a resident.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 4 CAPITAL MANAGEMENT (Continued)

#### NOTE 4.1 BORROWINGS (Continued)

##### Significant Estimate and Judgement - Lease Terms and Borrowing Rate

The Company recognised lease liabilities in relation to leases of properties and motor vehicles. These liabilities are measured at the present value of the remaining lease payments, taking into account any fixed rental increases, discounted using the lessee's incremental borrowing rate at the time of inception of the lease. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2020 was 3.9%. Judgement is also exercised, at the commencement of a lease, in determining whether there is reasonably certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. Factors considered may include the importance of the asset to operations, comparison of terms and conditions to prevailing market rates, existence of significant assets paid for directly by lessee and the costs and disruption to replace the asset. This judgement is reassessed if there is a significant event or significant change in circumstances.

##### Lease arrangements

The Company leases various offices, residential aged care facilities and retirement villages. Rental contracts are typically made for fixed periods of 18 months to 75 years, but may have extension options as described below.

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 Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

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 leases in the Company, 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 Company uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

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. Low-value assets comprise IT equipment and small items of office furniture.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 4 CAPITAL MANAGEMENT (Continued)

#### NOTE 4.1 BORROWINGS (Continued)

		2021	Restated 2020
	Note	\$'000	\$'000
<b>Current</b>			
Cheques Drawn Outstanding	4.2	4,907	4,810
Advances from Other Related Parties		126,204	114,271
Loans – Other Financial Institutions		28,539	31,361
Lease Liability		5,179	5,808
<b>Total Current</b>		<b>164,829</b>	<b>156,250</b>
<b>Non Current</b>			
Lease Liability		131,600	119,284
<b>Total Non Current</b>		<b>131,600</b>	<b>119,284</b>
<b>Total Borrowings</b>		<b>296,429</b>	<b>275,534</b>

The loans held with the Catholic Development Fund (“CDF”), disclosed below as Loans – Other Financial Institutions, contain a clause which allows CDF at its discretion to alter the terms of the Agreement and Repayment Schedule which creates the potential for the full loan balance to be called and be repayable at the CDF’s request. If the demand clause did not exist the borrowings would have been presented as follows based on the current repayment schedule:

		2021	Restated 2020
	Note	\$'000	\$'000
<b>Current</b>			
Cheques Drawn Outstanding	4.2	4,907	4,810
Advances from Other Related Parties		126,204	114,271
Loans – Other Financial Institutions		2,821	5,567
Lease Liability		5,179	5,808
<b>Total Current</b>		<b>139,111</b>	<b>130,456</b>
<b>Non Current</b>			
Loans – Other Financial Institutions		25,718	21,234
Lease Liability		131,600	123,844
<b>Total Non Current</b>		<b>157,318</b>	<b>145,078</b>
<b>Total Borrowings</b>		<b>296,429</b>	<b>275,534</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 4 CAPITAL MANAGEMENT (Continued)

#### NOTE 4.2 CASH AND CASH EQUIVALENTS

##### Recognition and Measurement

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

	2021	Restated 2020
	\$'000	\$'000
<b>Current</b>		
Cash on Hand	28	28
Cash at Bank	101	66
Deposits at Call	200,677	285,266
Trust Bank Accounts	238	296
<b>Total Cash and Cash Equivalents</b>	<b>201,044</b>	<b>285,656</b>

		2021	Restated 2020
	Note	\$'000	\$'000
(a) Disclosed As:			
Cash and Cash Equivalents		201,044	285,656
Cheques Drawn Outstanding	4.1	(4,907)	(4,810)
		<b>196,137</b>	<b>280,846</b>

#### NOTE 4.3 FINANCIAL INSTRUMENTS

<b>Financial Assets</b>			
Cash and Cash Equivalents		201,016	285,628
Loans and Receivables		84,858	67,059
Financial Assets		27,929	6,794
<b>Total Financial Assets</b>		<b>313,803</b>	<b>359,481</b>
<b>Financial Liabilities</b>			
Payables		21,077	22,868
Borrowings		296,429	275,534
Resident Liabilities		420,884	439,532
<b>Total Financial Liabilities</b>		<b>738,389</b>	<b>737,934</b>
<b>Net Financial Liabilities</b>		<b>(424,587)</b>	<b>(378,453)</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 4 CAPITAL MANAGEMENT (Continued)

#### NOTE 4.4 WORKING CAPITAL DEFICIENCY

The statement of financial position for the Company discloses a working capital deficiency of \$382,911,000 (2020: \$315,768,000). The financial statements have been prepared on a going concern basis as the deficiency arises because of the following items being classified as Current Liabilities:

- i. Disclosure of resident accommodation deposits and resident liabilities, for the Company amounting to \$420,884,000 (2020: \$439,532,000), as current liabilities on the basis they are repayable to residents when they leave the facility or unit, which can be at any time, (refer Note 3.3). The Company does not expect the resident liabilities balance to reduce significantly on an annual basis as the liabilities relating to residents who depart the facility/unit are generally replaced by resident accommodation deposits/liabilities received from new residents. The resident liabilities are therefore considered to form a part of the long-term funding of the facility.
- ii. Advances from Related Parties, of \$126,204,000 (2020: \$114,271,000) represent funds received as part of the Mercy central treasury function. These advances are shown as a current liability on the basis they are repayable as required by the other Mercy entities. The Company does not expect any significant reduction of these amounts on an annual basis.
- iii. Borrowings from Catholic Development Fund (CDF) for the Company of \$28,539,000 (2020: \$31,361,000) are shown as a current liability on the basis that the CDF loan agreements contain a clause which allows the CDF at its discretion to alter the terms of the agreement and the repayment schedule so that the full loan balance could become repayable at the CDF's request. If the demand clause did not exist the borrowings classified as Current Liabilities would have been borrowings of \$2,821,000 (2020: \$5,567,000).

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 4 CAPITAL MANAGEMENT (Continued)

#### NOTE 4.5 COMMITMENTS

Commitments in relation to Property Plant and Equipment and Investment Property contracted at the reporting date.

	2021 \$'000	Restated 2020 \$'000
<b>Capital Commitments</b>		
Land & Buildings	2,709	36,750
Plant & Equipment	1,644	3,728
Other	2,839	3,855
<b>Total Capital Commitments</b>	<b>7,192</b>	<b>44,333</b>
<b>Land &amp; Buildings</b>		
Not Later than One Year	2,709	36,750
<b>Subtotal Land &amp; Buildings</b>	<b>2,709</b>	<b>36,750</b>
<b>Plant &amp; Equipment</b>		
Not Later than One Year	1,644	3,728
<b>Subtotal Plant &amp; Equipment</b>	<b>1,644</b>	<b>3,728</b>
<b>Other</b>		
Not Later than One Year	2,839	3,855
<b>Subtotal Other</b>	<b>2,839</b>	<b>3,855</b>
<b>Total Capital Commitments</b>	<b>7,192</b>	<b>44,333</b>

#### NOTE 4.6 ASSETS PLEDGED AS SECURITY

Mercy Aged and Community Care Ltd. ("MACC") is the coordinating Company established by the Institute of Sisters of Mercy of Australia and Papua New Guinea to oversee the operations of all of the health entities established as part of their health ministry including Mercy Health Property Ltd. MACC operates a central treasury function and holds borrowings with Catholic Development Fund ("CDF") which has assets held by way of long term finance leases pledged as security. The maximum amount CDF can recover from MACC under the Deed of Guarantee is \$28,539,000 plus nil outstanding interest and other costs.

The Carrying amount of assets held by the Company pledged as security for CDF borrowings under the Deed of Guarantee are:

	2021 \$'000	Restated 2020 \$'000
Property, Plant and Equipment	65,864	60,872
	<b>65,864</b>	<b>60,872</b>

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 5 EMPLOYEE REMUNERATION AND BENEFITS

#### NOTE 5.1 PROVISIONS

##### Recognition and Measurement

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

##### *Measurement of Short-Term and Long-Term Employee Benefits*

Short-term employee benefits are those benefits that are expected to be settled within 12 months of the end of the reporting period, and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. They include wages and salaries that are expected to be settled within 12 months of the end of the reporting period.

Long-term employee benefits are those benefits that are not expected to be settled within 12 months, and are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date. They include annual leave and long service leave.

The present value of long-term employee benefits is calculated in accordance with AASB 119 *Employee Benefits*. Long-term employee benefits are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

##### *On-Costs*

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

##### *Superannuation*

Contributions are made by the Company to various accumulation superannuation funds and are charged as expenses when incurred.

##### *Provisions*

Provisions are recognised when a legal or constructive obligation exists, 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.

#### **Significant Estimate and Judgement – Measurement of Annual Leave and Long Service Leave Provisions**

Annual leave and long service leave are measured at the present value of estimated future cash flows. These estimations require the use of key assumptions including discount rates, expected future pay increases and the probability of reaching and taking entitlements. These assumptions have been determined based on the policy disclosed in this note.

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 5 EMPLOYEE REMUNERATION AND BENEFITS (Continued)

#### NOTE 5.1 PROVISIONS (Continued)

	Restated	
	2021	2020
	\$'000	\$'000
<b>Current</b>		
Employee Entitlements – Long Service Leave	14,152	13,511
Employee Entitlements – Annual Leave	19,207	17,707
Other Employee Entitlements	42	61
<b>Total Current Provision for Employee Entitlements</b>	<b>33,401</b>	<b>31,279</b>
<b>Non Current</b>		
Employee Entitlements – Long Service Leave	7,819	7,473
<b>Total Non Current Provision for Employee Entitlements</b>	<b>7,819</b>	<b>7,473</b>

The following assumptions were adopted in measuring present value:

The annual leave and long service leave provisions are measured at the present value of estimated future cash flows, discounted by between 0.18% and 3.37% (2020: 0.58% and 3.24%) being the interest rate applicable to various high quality corporate bonds. A 3.50% (2020: 3.50%) per annum rate of increase in employee wages and salary rates was assumed in the present value calculations.

#### NOTE 5.2 RESPONSIBLE PERSON RELATED DISCLOSURES

##### Board of Directors

The Directors of Mercy Aged & Community Care Ltd receives financial benefits in the form of salaries, fees and superannuation contributions for services provided.

##### Key Management Personnel

Key management personnel are persons who had authority and responsibility for planning, directing and controlling the activities of Mercy Aged & Community Care Ltd during the financial year.

The remuneration of the Company and key management personnel of Mercy Aged & Community Care Ltd during the year were as follows:

	Restated	
	2021	2020
	\$'000	\$'000
Directors	915	854
Management	5,310	5,007

# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### NOTE 5 EMPLOYEE REMUNERATION AND BENEFITS (Continued)

#### NOTE 5.3 OTHER RELATED PARTY TRANSACTIONS

Mercy Aged & Community Care Ltd ("MACC") is the coordinating company established by the Institute of Sisters of Mercy of Australia and Papua New Guinea to oversee the operations of all of the health entities established as part of their health ministry.

#### Revenue

##### *Other Related Parties*

MACC received shared service fees from other entities within the health ministry totalling \$29,000,000 (2020: \$24,448,000).

Donation revenue received from related parties totalled \$43,000 (2020: \$176,000)

#### Trade and Other Payables

##### *Other Related Parties*

MACC operates a central treasury function to maximise interest earnings throughout the health ministry. Short term deposits with the central treasury are characterised as advances and interest is payable on the balances at money market rates. At reporting date \$126,204,000 was advanced to MACC (2020: \$114,271,000). Interest is charged at a commercial floating rate of between 0.4% and 0.6% (2020: 0.6% and 1.6%), giving rise to interest expense of \$960,000 (2020: \$1,537,000).

### NOTE 6 OTHER

#### NOTE 6.1 RESERVES

	2021	Restated 2020
	\$'000	\$'000
<b>Financial Assets Reserve</b>		
Financial Assets Reserve	1,487	(163)
<b>Total Financial Assets Reserve</b>	<b>1,487</b>	<b>(163)</b>

The Company has elected to recognise changes in the fair value of certain investments in financial assets in other comprehensive income. These changes are accumulated within the Financial Assets Reserve within equity. The Company transfers amounts from this reserve to accumulated surplus when the relevant securities are derecognised.

Resident Reserve	198	250
<b>Total Resident Reserve</b>	<b>198</b>	<b>250</b>

The resident reserve provides funding from Independent Living Unit residents for major maintenance expenditure within the retirement village.

<b>Total Reserves</b>	<b>1,685</b>	<b>87</b>
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# Mercy Aged & Community Care Ltd

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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### NOTE 6 OTHER (Continued)

#### NOTE 6.2 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the year a relative of a former resident of the Company commenced legal proceedings against the Company.

At the date of signing the financial report the Directors are satisfied that a present obligation does not exist in relation to the on-going proceedings, although there remains a level of uncertainty of any possible outflow of resources, if any, from the proceedings.

At the date of signing these financial statements, the Directors are not aware of any other contingent assets or liabilities.

#### NOTE 6.3 AFTER REPORTING PERIOD EVENTS

During the financial year the COVID-19 pandemic has had a significant impact on local and international economies. Subsequent to balance date, another wave of the COVID-19 pandemic has occurred within Victoria. While the short-term impact to the Company has been estimated when considering the going concern assumption in the preparation of the financial report, the longer term impacts of COVID-19 on the operations of the Company remain uncertain and cannot be quantified at this time.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Auditor's Independence Declaration

### To the Directors of Mercy Aged and Community Care Ltd

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Mercy Aged and Community Care Ltd for the year ended 30 June 2021, 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 5 October 2021

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# Independent Auditor's Report

## To the Members of Mercy Aged and Community Care Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Mercy Aged and Community Care Ltd (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the financial report of Mercy Aged and Community Care Ltd has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the ACNC Act), including:

- a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance and cash flows for the year then ended; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

#### Basis for opinion

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

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

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Director's report for the year ended 30 June 2021, 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, 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 are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 5 October 2021