ASSISI CENTRE LIMITED

ABN 33 929 275 686
ACN 623 564 429

FINANCIAL REPORT

For the year ended 30 June 2020

ASSISI CENTRE LIMITED

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DIRECTORS REPORT

The directors present their report on the Company for the financial year ended 30 June 2020.

Directors

The names of the Directors in office at anytime during, or since the end of, the year are:

Donato Smarrelli, Chairman
Sauro Antonelli
Vito Cassisi
Adrian Finanzio
Nadia Gianello (resigned 5 October 2019)
Clare Grieveson
Tonina Gucciardo-Masci (resigned 11 July 2019)
Paul Lostia
Don Pasquariello
Rick Rostolis (resigned 13 March 2020)
Antonio Salce (resigned 2 December 2019)
Ruth Richardson Clark (appointed to a casual vacancy on 7 July 2020)

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

Review of Operations

The operating deficit of the Company for the financial year amounted to $2,473,312 (2019: $335,260). The Company generated an operating cash surplus of $209,474 (2019: $1,393,243).

Both the COVID-19 pandemic and the Royal Commission into Aged Care Quality and Safety have significantly impacted on the operations and financial performance of Assisi and this is reflected in the operating deficit for the year.

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal Activities

The principal activity of the Company during the financial year was the provision of residential aged care, principally to the Italian community.

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

Events Subsequent to the End of the Reporting Period

Other than the potential ongoing impact of COVID-19 and the final recommendations that will be issued by the Royal Commission into Aged Care Quality and Safety, the Directors are not aware of any other matter or circumstance arising since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, or the Company's state of affairs in future financial years.

Up to the date that the financial statements were authorised for issue, Assisi has had no cases of COVID-19 among residents.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its strategic objectives to provide high quality aged care as a not-for-profit operation. The Company will continue to explore maximising income sources available and improving cost efficiency consistent with the delivery of high-quality care to residents and services to the community.

Environmental Regulation

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

Dividends

The Company is limited by guarantee and its Constitution precludes the payment of dividends.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

Information on Directors

Assisi Aged Care was formed as an Incorporated Association in 1990 with a Committee of Management. On 2 January 2018, the Association converted to a Company Limited by Guarantee, Assisi Centre Limited. The date of appointment for each director is 2 January 2018 unless appointed subsequently.

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Donato Smarrelli, Chairman

Don is the principal of Lawcorp Lawyers, which he founded in 1979. In addition, he assists many community organisations, including his current role as Chairman of Assisi Centre Limited. During this time at Assisi, Don has been a very active member of the Board and has been involved in many initiatives and projects for the benefit of the Assisi community. Don is also a current board member for the Centre for Multicultural Youth (CMY), a not-for-profit organisation supporting young people from migrant and refugee backgrounds to build better lives in Australia. In 2005, Don was appointed a member of the Council for Multicultural Australia being an advisory body to the Federal Government for raising awareness and understanding of multiculturalism. In 1990, he was a founding member and subsequent President of the Toccolan Club, an Italian community organisation focused on fundraising for medical research. Don was awarded a Medal of the Order of Australia (OAM) in 2007 for services to multiculturalism and the community.

Don is a member of the Clinical Governance Committee.

Sauro Antonelli

Sauro has been involved with Assisi Aged Care since its inception in 1990 and was the inaugural Secretary of the organisation's Committee of Management. Sauro has been President of the Assisi Board over two periods covering a total of seven years, including having the honour of hosting the then President of the Italian Republic, Oscar Luigi Scalfaro, in his visit to the Centre, during the President's tour of Australia.

In recognition of Sauro's work in the Italian community over a period of more than 40 years, especially in the aged care field, Sauro was awarded a Medal of the Order of Australia (AM) in 2008.

Sauro has a Commerce Degree from the University of Melbourne and was made Cavaliere Ufficiale by the Italian Government in recognition of his work on behalf of the Italian community.

Sauro is a member of the Strategic Development Committee.

Vito Cassisi

Holding qualifications in Architecture, Vito has been a practicing architect with over 40 years of experience. Vito is currently an examiner of the Architects Registration Board of Victoria and a member of the National Visiting Panel, University Schools of Architecture in Australia and New Zealand. Vito is also a board member of CO.AS.IT. and a former board member of the Italian Service Institute and Villa Maria.

Vito was the chairman of the development committee responsible for the extension and redevelopment of Assisi Aged Care which was completed in 2014.

Vito is a member of the Strategic Development Committee.

Adrian Finanzio

Adrian was appointed to the Board in 2017. Adrian is a barrister who practices extensively in the field of town planning, environment and local government. He is also an experienced director, having served as Vice President of the Victorian Planning and Environmental Law Association (a multi-disciplinary industry body) and on that board for 12 years. He currently serves as a member of the Victorian Bar Council, the Board of Barristers' Chambers Limited (the company that owns and operates chambers for the Victorian Bar) and the Legal Profession Liability Committee (the principal insurer of the legal profession in Victoria).

Adrian is the chair of the Strategic Development Committee.

Clare Grieveson

Clare is the Executive Director Quality, Safety and Innovation at Mercy Health where she is responsible for the overall leadership and direction of staff safety, WorkCover, consumer experience, quality, clinical risk, service improvement and innovation for the organisation's hospital, aged care and home care services.

Clare has a clinical background and a Bachelor's Degree in speech pathology, a Master's Degree in Health Service Management, a Graduate Certificate in Leadership and Catholic Culture and over 20 years' experience in the health industry including senior management roles at Monash Health and the Victorian Department of Health and Human Services.

She is an Associate Fellow of the Australasian College of Health Services Management and Graduate of the Australian Institute of Company Directors.

Clare is the chair of the Clinical Governance Committee.

Paulo Lostia

Paul has previously held a number of senior positions in the finance industry. He has worked for many years in the Italo-Australian Community developing and supporting voluntary community projects, most notably as President of the Sardinian Cultural Association.

Paul's career and personal convictions have given him a sound understanding of the importance of the provision of high-quality aged care in a caring, diligent and financially effective manner, which meets the needs of the residents and their families.

Don Pasquariello

Don is a senior partner of Deloitte, one of the world's largest professional services and advisory firms, with over 36 years of professional experience including 24 years as a partner.

Don has a strong understanding of public and private company reporting, risk management and the complexities associated with the management of the audit of multi-national operations of Australian listed companies.

A Fellow of the Institute of Chartered Accountants Australia, Don holds a Bachelor of Commerce from the University of Melbourne. He is also a Board Director of Jesuit Education Australia Limited.

Don is the chair of the Finance and Audit Committee.

Ruth Richardson Clark (appointed to a casual vacancy on 7 July 2020)

Ruth holds a Bachelor of Business from the University of Technology in Sydney, is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors.

Ruth is a strategic finance executive with over 20 years experience in branded consumer businesses across education, cosmetics, technology and food. She has lived and worked in Australia and Belgium and has had additional business experience in 6 European countries and New Zealand.

Currently Ruth is the CFO for Campion Education (Aust) Pty Ltd.

DIRECTORS REPORT

Meetings of Directors

During the financial year the following meetings of directors were held:

	Directors' Meetings	
	Number eligible to attend	Number attended
Donato Smarrelli, Chairman	12	11
Sauro Antonelli	12	10
Vito Cassisi	12	8
Adrian Finanzio	12	11
Nadia Gianello (resigned 5 October 2019)	3	2
Clare Grieveson	12	11
Paul Lostia	12	10
Don Pasquariello	12	9
Rick Rostolis (resigned 13 March 2020)	6	6
Antonio Salce (resigned 2 December 2019)	4	1

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 5 of the financial report.

This director's report is signed in accordance with a resolution of the Board of Directors

Director ....

Donato Smarrelli

Dated this 26th day of October 2020

ShineWing
AUSTRALIA
Advisors & Accountants

Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER 60-C SECTION 60-40 OF THE *AUSTRALIAN CHARITIES AND NOT FOR PROFIT COMMISSION ACT 2012* TO THE DIRECTORS OF ASSISI CENTRE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit, and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 26 October 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Revenue	2	16,917,049	14,952,816
Expenses			
Employee Benefits		12,039,003	10,292,360
Depreciation and Amortisation		1,781,479	1,799,098
Catering Provisions		715,571	573,415
Facility Cleaning and Maintenance		598,358	629,383
Resident Care and Support Programs		835,802	700,464
Other Costs of Accommodation		486,069	437,948
Communication and Administration		755,225	792,010
Imputed interest charge on RADs and Bonds	1.4	2,340,950	-
Other		68,684	63,398
Total Expenses		19,621,141	15,288,076
Operating Deficit for the Year		(2,704,092)	(335,260)
Fair value gain on financial assets measured at FVTOCI		230,780	-
Total Comprehensive Loss for the Year		(2,473,312)	(335,260)
Total comprehensive loss attributable to members of the entity		(2,473,312)	(335,260)

The accompanying notes form part of these financial statements

ASSISI CENTRE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	36,571,134	37,826,734
Trade and Other Receivables	4	401,233	2,228,345
Prepayments		165,092	138,850
Total Current Assets		37,137,459	40,193,929
Non-Current Assets			
Property, Plant and Equipment	5	57,541,489	58,966,162
Intangible Assets	6	4,800,000	4,800,000
Other Financial Assets	7	6,769,004	-
Total Non-Current Assets		69,110,493	63,766,162
Total Assets		**106,247,952**	**103,960,091**
LIABILITIES			
Current Liabilities			
Trade and Other Payables	8	1,560,572	1,110,328
Employee Benefits	9	1,661,342	1,536,054
Financial Liabilities	10	52,193,827	48,016,540
Total Current Liabilities		55,415,741	50,662,922
Non-Current Liabilities			
Employee Benefits	9	254,019	245,665
Total Non-Current Liabilities		254,019	245,665
Total Liabilities		**55,669,760**	**50,908,587**
NET ASSETS		**50,578,192**	**53,051,504**
EQUITY			
Retained Surplus		6,559,634	9,263,726
Reserve	13	44,018,558	43,787,778
TOTAL EQUITY		**50,578,192**	**53,051,504**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Cash Flows from Operating Activities			
Receipts from Residents and Government		14,839,019	13,639,482
Payments to Suppliers and Employees		(15,532,819)	(12,939,298)
Interest Received		746,908	485,360
Rental Income		100,003	99,184
Fundraising, Donations & Bequests Received		56,363	108,515
Net Cash Provided by Operating Activities	14	**209,474**	**1,393,243**
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment		(367,827)	(807,989)
Proceeds from disposal of Property Plant & Equipment		2,000	247
Purchase of Investments		(6,538,224)	-
Income from Investments		35,784	-
Net Cash Used in Investing Activities		**(6,868,267)**	**(807,742)**
Cash Flows from Financing Activities			
Net movement in Trust Funds held on behalf of residents		3,648	1,463
Proceeds from Refundable Accommodation Deposits / Bonds		12,558,041	15,168,644
Repayment of Refundable Accommodation Deposits / Bonds		(7,158,496)	(7,966,430)
Net Cash Provided by Financing Activities		**5,403,193**	**7,203,677**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(1,255,600)**	**7,789,178**
Cash and Cash Equivalents at beginning of financial year		37,826,734	30,037,556
Cash and Cash Equivalents at end of financial year	3	**36,571,134**	**37,826,734**

The accompanying notes form part of these financial statements

ASSISI CENTRE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Retained Surplus	Asset Revaluation Reserve	Investment Revaluation Reserve	Total
	$	$	$	$
Balance at 1 July 2018	9,598,986	43,787,778	-	53,386,764
Deficit attributable to members	(335,260)	-	-	(335,260)
Total Comprehensive Loss	(335,260)	-	-	(335,260)
Balance at 30 June 2019	**9,263,726**	**43,787,778**	**-**	**53,051,504**
Deficit attributable to members	(2,704,092)	-	-	(2,704,092)
Other Comprehensive Income	-	-	230,780	230,780
Total Comprehensive Loss	(2,704,092)	-	230,780	(2,473,312)
Balance at 30 June 2020	**6,559,634**	**43,787,778**	**230,780**	**50,578,192**

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information

The financial statements cover Assisi Centre Limited as an individual entity. Assisi Centre Limited is a public company limited by guarantee under the *Corporations Act 2001* and is registered with the Australian Charities and Not-for-Profit Commission (ACNC) as a charity. The financial statements are presented in Australian dollars which is Assisi Centre Limited's functional and presentation currency.

The financial statements were authorised for issue on 26 October 2020.

1.2 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, (modified, where applicable by the measurement of selected non-current assets, financial assets and financial liabilities). The amounts presented in the financial statements have been rounded to the nearest dollar.

Significant accounting policies

The significant accounting policies have been consistently applied to all years presented, unless otherwise stated.

1.3 Going concern

The financial report has been prepared on a going concern basis, which assumes that the company will be able to meet its obligations as and when they fall due.

As at 30 June 2020, the Company is in a deficit current net working capital position of $18,278,282 (2019: $10,468,993). This deficiency principally arises due to refundable accommodation deposits (RADs) and accommodation bonds of $52,193,827 (2019: $48,016,540) being recorded as a current liability as required under accounting standards.

However, in practice, RADs / accommodation bonds that are repaid are generally replaced by RADs from incoming residents in a short timeframe. The Company has positive operating cash flow and has access to undrawn credit facilities. Refer also to Note 10(a), detailing the historical turnover statistics.

The COVID-19 outbreak and stage 4 restrictions in Victoria may impact the Company’s operations and financial performance subsequent to 30 June 2020. A major risk facing residential aged care providers is that the spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This could have a major impact on the financial performance of the facility and cash liquidity of the Company.

Up to the date that the financial statements were authorised for issue, the company has had no cases of COVID-19 among residents.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Change in Accounting Policies

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

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

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* came into effect as of 1 January 2019. This Standard replaced the current accounting requirements applicable to leases in AASB 117 *Leases* and Related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets)
- depreciation of right-to-use assets in line with AASB 116 *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

In applying AASB 16 for the first time, the Company 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 no 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.

<u>Leases in which the Company is a Lessor</u>

Contracts with customers contain provisions for accommodation, use of common areas/facilities for provision of care and other services. The Company has concluded that its contractual arrangements relating to the provision of residential aged care and retirement living accommodation are an operating lease pursuant to AASB 16, being the exclusive right to the use of a room by a resident. For residential aged care accommodation arrangements where the resident has elected to pay a RAD or accommodation bond, the Company receives a financing benefit, being non-cash consideration, in the form of an interest free loan.

On adoption of AASB 16, the fair value of this non-cash consideration is required to be recognised as income (to reflect the interest free loan financing benefit received on RADs and accommodation bonds) and, correspondingly, interest expense (to record the financial liability associated with RADs and accommodation bonds at fair value) with no net impact on profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policies (continued)

The application of AASB 16 for the year ended 30 June 2020 has been calculated based on:

- Monthly average RAD / accommodation bond balances; and
- Interest rate equal to the Maximum Permissible Interest Rate (MPIR), which is a Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents. The MPIR was 5.54% between July to September 2019; 4.98% between October to December 2019; 4.91% between January to March 2020; and 4.89% between April to June 2020.

The Company's Statement of Profit or Loss and Other Comprehensive Income presents income of $2,340,950 and an additional finance cost (i.e. imputed interest charge on RADs and Bonds) of $2,340,950 , with $nil impact to net profit for the year. The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adopting AASB 16.
The Company adopted AASB 16 using the modified retrospective approach from 1 July 2019. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 *Leases* is recognised in retained earnings.

The Company has elected to adopt short term and low value exemptions where applicable.

As at 30 June 2019, the Company had no non-cancellable operating lease commitments. Based on review, the Company has determined that at the date of adoption there is no impact to the opening retained earnings as at 1 July 2019 in these financial statements.

AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not for Profit entities.

These Standards largely supersede the NFP income recognition requirements previously contained in AASB 1004 *Contributions* as well as current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when they become effective.

AASB 1058 *Income of Not for Profit entities* clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, in conjunction with AASB 15.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The new standards are effective from 1 January 2019. The Company has adopted the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 1004 *Contributions* and AASB 118 *Revenue*. The Company has elected to adopt the practical expedient which allows the Company to apply the new accounting standard requirements to only contracts that were not completed contract at 1 July 2019 to ensure correct revenue recognition under AASB 15 and AASB 1058. Based on this detailed review, the Company has determined that at the date of adoption there is no impact to the opening retained earnings as at 1 July 2019 in these financial statements.

Key requirements of AASB 15 Revenue from contracts with customers

For income transactions, the Company first needs to consider whether AASB 15 applies by way of assessing whether the performance obligation(s) arising from the transaction are 'sufficiently specific' and 'enforceable'.

The core principle of AASB 15 is that the Company should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5 step approach to revenue recognition outlined in Note 1(i).

Under AASB 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. When AASB 15 does not apply to a transaction or part of a transaction, the Company then considers whether AASB 1058 applies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policies (continued)

Key requirements of AASB 1058: Income of Not for Profit entities

The core principle of the new income recognition requirements in AASB 1058 is when a NFP entity (the Company) enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives, the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The Standard also prescribes specific accounting requirements for volunteer services. The Directors have decided not to recognise volunteer services within the financial statements, given the true value of these services is not reliably measurable in financial terms. Volunteer services provide value by connecting communities, providing personal development, career pathways and work skills, contributing an abundance of knowledge, time and attributes, and are not reliably measured in financial terms.

a. Income Tax

The Company is a charitable institution, therefore, tax effect accounting has not been applied as the Company is exempt from Income Tax under Div. 50 - 5 of the *Income Tax Assessment Act 1997*, as amended. The Company is also exempt from Capital Gains Tax and Fringe Benefits Tax.

b. Property, Plant and Equipment

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

Property

Freehold land and buildings are shown at their fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

The last independent valuation was performed by CBRE on 30 June 2017 whereby the freehold land and buildings were reflected at fair value.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity.

Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation decreases.

All other decreases are charged to the statement of profit or loss and other comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

In the event the carrying amount is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in the profit or loss.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets are depreciated over the useful lives of the assets to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

	Depreciation rate	Method
Furniture and Fittings	10-50%	Written Down Value
Office Equipment	15-50%	Written Down Value
Plant and Equipment	10-50%	Written Down Value
Motor Vehicles	22.50%	Written Down Value
Building at valuation	4%	Straight line

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

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

Gains and losses are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained surplus.

c. Intangible Assets

Bed Licences

Bed licences are issued by the Federal Government to approved providers of aged care. Holders of bed licences receive Federal Government funding in accordance with predetermined rates. These licences also can be purchased from and sold to third parties. As an approved provider of aged care places, the Company has recorded bed licences at fair value at the date of transition to AIFRS. This value has been taken as a deemed cost. While the Company remains as a provider of aged care services, the bed licences continue to be assessed to have an indefinite life to which no provision for amortisation is required. Bed licences are tested for impairment annually. Impairment is determined by assessment of the recoverable amount of the asset.

The Directors have determined the recoverable amount of the bed licences as fair value less costs of disposal.

d. Residents' Refundable Accommodation Deposits and Accommodation Bonds

A refundable accommodation deposit (RAD) is a non-interest-bearing deposit made by aged care residents to the Company upon admission. Prior to 1 July 2014, lump-sum refundable accommodation deposits were referred to as accommodation bonds and were not payable by residents paying a high care accommodation payment. From 1 July 2014, under the Living Longer Living Better reforms, residents can choose to pay a full lump-sum RAD, a regular rental-type payment called a ‘daily accommodation payment’ (DAP), or a combination of both.

RADs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to RADs becoming repayable upon short notice (departure of a resident), their carrying value approximates their fair value.

Accommodation bond balances are reduced by annual retention fees charged in accordance with the Aged Care Act 1997. However, retention fees are not applicable to post 1 July 2014 RADs.

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation. The company is required to have sufficient liquidity to refund RAD / accommodation bond balances as they fall due in the following twelve months. The company is also required to implement and maintain a liquidity management strategy.

As there is no unconditional right to defer payment for 12 months, RAD / accommodation bond liabilities are recorded as current liabilities.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except trade and other receivables) are initially recognised at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain any significant financing component or if the practical expedient was applied as specified in AASB15 *Revenue from Contracts with Customers*.

Classification and subsequent measurement

(i) Financial Assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Financial assets are subsequently measured at amortised cost the following criteria are met:

- the business model's objective is to hold the financial asset to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solei payments of principal and interest on the principal amount outstanding on specific dates.

Financial assets are subsequently measured at fair value through other comprehensive income when the following criteria are met:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

Financial assets that do not meet the criteria of amortised cost or fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

At initial recognition of an equity instrument, the entity can make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies. Dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

The entity does not hold any financial assets at fair value through profit or loss.

(ii) Financial Liabilities

Financial Liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

The entity does not hold financial liabilities that meet the criteria of fair value through profit or loss and all financial liabilities are held at amortised cost using the effective interest rate method.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments (continued)

Impairment of Financial Assets

Impairment of financial assets is recognised based on the lifetime expected credit loss which is determined when the credit risk on a financial asset has increased significantly since initial recognition. In order to determine whether there has been a significant increase in credit risk since initial recognition, the entity compares the risk of default as at the reporting date with risk of default as at initial recognition using reasonable and supportable data, unless the financial asset is determined to have a low credit risk at the reporting date.

For trade and other receivables, the simplified approach is used, which requires recognition of a loss allowance based on the lifetime expected credit losses. As a practical expedient, the Entity uses a provision matrix based on historical information and adjusted for forward looking estimates in order to determine the lifetime expected credit losses.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

(i) Financial Assets

Financial assets are derecognised when the holder’s contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the entity elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(ii) Financial Liabilities

Financial liabilities are derecognised when the obligations are discharged or cancelled or expired.

The difference between the carrying amount of the financial liability derecognised and the fair value of the consideration paid or payable, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Non-Financial Assets

At the reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and the value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are recognised in the current liabilities in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled with 12 months of the reporting date are recognised in non-current liabilities, provided there is unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future age and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on the national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in the Statement of Financial Position.

i. Revenue Recognition (accounting policy applicable from 1 July 2019)

Revenue arises mainly from government subsidies, resident fees, daily accommodation payments, rental income, interest and dividend on investments and other income.

When the Company receives income, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15. When both these conditions are satisfied, the Company uses the following 5 step process to determine when revenue is recognised, in line with AASB 15 *Revenue from contracts with customers*:

1. Identifying the contracts with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customer.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company recognises income immediately in profit or loss.

(i) Residential Care Revenue

Government subsidies and resident fees

Government subsidies and resident fees related to the provision of services are recognised in the profit or loss over time as performance obligations are satisfied, which is as the services are rendered. Generally, performance obligations in relation to fees and subsidies are considered to be met on a daily or monthly basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Revenue Recognition (continued)

Imputed lease income on RADs and Bonds

Under AASB 16 Leases where a resident has elected to pay their accommodation payment as a Refundable Accommodation Payment (RAD) or Bond the arrangement is considered an Operating Lease. An imputed non-cash charge for accommodation representing the resident's right to occupy a room under this arrangement is recognised in profit or loss.

(ii) Other Revenue

Government and other grants

Generally, government and other funding received or receivable clearly outlines the specified services to be delivered, or conditions to be fulfilled, and creates obligations on the Company to deliver. Grant revenue for contracts which are enforceable and with sufficiently specific performance obligations are recognised over time. The input method is used to measuring progress towards satisfaction of performance obligations based on costs incurred.

Funding received in advance is recognised as contract liability and revenue is recognised as services are performed or conditions fulfilled over time based on the input method.

Where conditions are attached to the grant which must be satisfied before the Company is eligible to receive the contribution, the recognition of the grant as revenue is deferred until those conditions are satisfied.

Unless prohibited by contract terms, if funds remain unspent after programs are completed or program completion date is reached, these unspent funds are immediately recognised as revenue.

Income from grants that are not subject to conditions is recognised when the Company obtains control of the funds, economic benefits are probable and the amount can be reliably measured. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent the conditions remain unsatisfied.

Where the Company receives contributions of assets from the government and other parties for no or nominal consideration, these assets are recognised at fair value, with a corresponding amount of income recognised.

Investment Income

Interest income, included in investment income, is recognised on a proportional basis using the effective interest rate method, considering the interest rates applicable to the financial assets.

Dividend income is recognised when the right to receive a dividend has been established.

Rental income

Rental Income is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable and if paid in advance as rental in advance (unearned income).

Rental income is recognised in the profit or loss over time as services are provided.

Fundraising, Donations & Bequests

Fundraising and donations are recognised only when received by the Company in accordance with AASB 1058 *Income for Not-For-Profit entities*.

Bequests are recognised when the Company receives confirmation from the solicitor that entitlement to the funds is uncontested, or when the legacy is received, whichever occurs earlier.

Volunteer Services

The entity regularly receives volunteer services as part of its operations. Under AASB 1058, private sector not-for profit entities have a policy option to account for donated services at fair value if the fair value can be reliably measured.

While the Company has assessed that the fair value of its volunteer services can be reliably measured, it has decided to adopt the policy option not to recognise volunteer services. Accordingly, no amounts are recognised in the financial statements for volunteer services.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Revenue Recognition (continued)

Sundry Income

Sundry income includes government payments not included in residential aged care subsidies and supplements and cost recoveries in relation to utilities in rented spaces.

Sundry income is recognised to the extent that it is probably that the economic benefits will flow to the Company and income can be reliably measured.

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

<u>For comparative year (accounting policy applicable before 1 July 2019)</u>

Government Subsidies and resident fees

Non-reciprocal subsidy revenue is recognised in profit or loss when the entity obtains control of the subsidy and it is probable that the economic benefits gained from the subsidy will flow to the entity and the amount of the subsidy can be measured reliably.

If conditions are attached to the revenue which must be satisfied before it is eligible to receive the contribution, the recognition of the revenue will be deferred until those conditions have been met.

When revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the revenue is recognised as income on receipt.

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

Donations and Bequests

Donations and bequests are recognised as revenue when received.

Interest Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

j. Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at their transaction price (unless there is a significant financing component) less lifetime expected credit losses and subsequently measured at amortised cost using the effective interest method.

Trade receivables are written off if there is objective evidence regarding bankruptcy or insolvency of the debtor and no guarantees are otherwise available from any third party on behalf of the debtor. This is the approach even if enforcement activities have already been initiated.

Refer to Note 1(e) for further discussion on the determination of impairment losses on financial assets.

Trade and other receivables include amounts due from customers for services provided in the ordinary course of business. Receivables expected to be collected within twelve months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

l. Trade and Other Payables

Trade and other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the Company during the reporting period, which remain unpaid.

The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability and not discounted.

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

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or the production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

n. Comparative Figures

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

o. Critical accounting judgements, estimates and assumptions

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

Valuation of bed licences

The Directors have performed a review of the fair value of bed licences by evaluating conditions specific to the entity that may lead to the impairment of the Bed Licences. The Directors have assessed the fair value of the bed licences with reference to the fair value less cost to sell in an observable market and are satisfied that the recoverable amount is in excess of the carrying value.

No impairment has been recognised at 30 June 2020.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

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

p. Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the Company at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair value has been determined by an independent external valuation of the property at 30 June 2017 on the basis in Note 5 Property Plant and Equipment. The Directors have assessed the value of the property at 30 June 2020, taking into account factors and market conditions evident at the reporting date. Changes in market conditions in the future may impact the fair value in the future.

q. Leases (accounting policy applicable from 1 July 2019)

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

This involves an assessment of whether:

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

At the lease commencement the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Leases (continued)

The right-of-use asset is measured using the cost model where cost on initial recognition comprises the:

1. Lease liability
2. Initial direct costs
3. Prepaid lease payments
4. Less any lease incentives

The right-of-use asset is depreciated over the lease term on a straight-line basis or useful life of the underlying asset whichever is the shortest. These assets are assessed for impairment in accordance with the impairment of assets accounting policy. The right-of-use asset is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement date. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the exceptions to lease accounting for leases of short-term and low-value assets. For these leases, the Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>For comparative year (Accounting policy applicable before 1 July 2019)</u>

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Association are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. AASB Standards issued but not yet effective as at 30 June 2020

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on the Company when adopted in future periods is discussed below:

AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material* (applicable to annual reporting periods beginning on or after 1 January 2020)

This amendment standard makes amendments to AASB 101 to re-define the term 'material' and various editorial amendments to other AASB standards. The new definition of the term 'material' requires focusing on the nature and magnitude of information and particularly contains guidance about when a material information may be considered to be obscured in the financial statements

No material change will be expected to the Company's financial statements as the new definition of material is consistent with the directors' historic application of the concept. This standard is not expected to materially impact the financial statements of the entity.

AASB 2020-1: *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current liabilities* (applicable to annual reporting periods beginning on or after 1 January 2022)

This standard amends AASB 101 *Presentation to Financial Statements* to clarify the following:

- the classification as a non-current liability should be based on the existence of a 'right' (as opposed to a 'discretion' as it was provided before this amendment) to defer the settlement of the liability for at least twelve months after the reporting period;
- the term 'settlement' includes issue of equity instruments in exchange of extinguishment of a financial liability and such a settlement does not impact the classification of the liability as current or non-current; and
- classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The application of these amendments when effective is retrospective by restatement of prior periods. Earlier application is permitted.

The AASB is proposing to defer the effective date of AASB 2020-1 by one year to annual reporting periods beginning 1 January 2023 via ED 301.

The Company has current and non-current liabilities that are classified based on the requirements of AASB 101. Adoption of this amendment is not expected to change the group's classification of its liabilities as current or non-current, however, it gives greater clarity to directors in making the assessment regarding what the appropriate classification is.

AASB 2020-4: *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions* (applicable to annual reporting periods beginning on or after 1 June 2020 with earlier application permitted)

This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Earlier application is permitted.

This standard is not expected to materially impact the financial statements of the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. AASB Standards issued but not yet effective as at 30 June 2020 (continued)

AASB 2020-3: ***Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*** (applicable to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted)

This standard amends:

(i) AASB 1 First-time Adoption of Australian Accounting Standards to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;

(ii) AASB 3 Business Combinations to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;

(iii) AASB 9 Financial Instruments to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;

(iv) AASB 116 Property, Plant and Equipment to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;

(v) AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity includes when assessing whether a contract will be loss-making; and

(vi) AASB 141 Agriculture to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

This standard is not expected to materially impact the financial statements of the Company.

NOTE 2: REVENUE

(a) The Company's revenue disaggregated by primary service type is as follows:

	Notes	2020 $	2019 $
Residential Care Revenue			
Government Subsidies & Supplements		10,113,613	10,109,824
Resident Daily Care Fees		2,700,849	2,700,902
Resident Accommodation Payments		849,132	1,126,691
Imputed lease income on RADs and Bonds	1.4	2,340,950	-
		16,004,544	13,937,417
Other Income			
Investment Income		606,426	768,342
Rental Income		94,448	99,184
Fundraising, Donations & Bequests		104,124	108,515
Other Income		107,507	39,358
		912,505	1,015,399
Total Revenue		**16,917,049**	**14,952,816**

(b) The Company's revenue disaggregated by pattern of revenue recognition is as follows:

	Residential Care $	Other Income $	Total $
Services transferred to customers:			
- over time	16,004,544	151,955	16,156,499
- at a point in time	-	-	-
	16,004,544	151,955	16,156,499
Fundraising income recognised under AASB 1058	-	104,124	104,124
Government cash flow boost recognised under AASB 120	-	50,000	50,000
Investment income recognised under AASB 9	-	606,426	606,426
Total Revenue	**16,004,544**	**912,505**	**16,917,049**

NOTE 3: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at Bank	36,568,134	37,823,734
Cash on Hand	3,000	3,000
	36,571,134	**37,826,734**

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	**36,571,134**	**37,826,734**

	2020	2019
	$	$

NOTE 4: TRADE AND OTHER RECEIVABLES

	2020	2019
Current		
Trade Receivables	182,182	655,346
Refundable Accommodation Deposits Receivable	149,729	1,280,000
GST Recoverable	27,676	76,934
Interest Receivable	41,646	216,065
	401,233	**2,228,345**

NOTE 5: PROPERTY, PLANT & EQUIPMENT

	2020	2019
Land		
Land at Independent Valuation	24,700,000	24,700,000
Buildings		
Buildings - at Independent Valuation	33,650,000	33,650,000
Accumulated Depreciation	(4,038,001)	(2,692,000)
Buildings improvements - at Cost	99,689	99,689
Accumulated Depreciation	(5,764)	(1,777)
	29,705,924	31,055,912
Plant & Equipment		
Plant & Equipment - at Cost	2,619,565	2,823,224
Accumulated Depreciation	(1,230,286)	(1,382,155)
	1,389,279	1,441,069
Furniture & Fittings		
Furniture & Fittings - at Cost	1,904,141	1,979,766
Accumulated Depreciation	(1,345,757)	(1,290,309)
	558,384	689,457
Office Equipment		
Office Equipment - at Cost	426,186	444,929
Accumulated Depreciation	(293,658)	(341,573)
	132,528	103,356
Chapel Assets		
Chapel Assets - at Cost	33,455	35,736
Accumulated Depreciation	(19,900)	(20,557)
	13,555	15,179
Motor Vehicles		
Motor Vehicles - at Cost	157,207	155,115
Accumulated Depreciation	(119,607)	(121,919)
	37,600	33,196
Capital Works in Progress		
Capital Works in Progress - at Cost	1,004,219	927,993
Total Property, Plant & Equipment	**57,541,489**	**58,966,162**

NOTE 5: PROPERTY, PLANT & EQUIPMENT (continued)

(a) Revaluations

A formal independent valuation was undertaken by CBRE on 30 June 2017. The value of $58,350,000 has been determined on the basis of going concern fair value on the operation of Assisi Centre Limited fully funded and incorporating accommodation bond profile.

At 30 June 2020, the directors have performed a director's valuation on the freehold land and buildings. The directors have reviewed the key assumptions adopted by the valuers in 2017 and do not believe there has been significant change in the assumptions as at 30 June 2020. The directors therefore believe the carrying amount of the land and buildings correctly reflects the fair value less costs of disposal as at 30 June 2020. Refer to Note 1 for detailed disclosures regarding the fair value measurement of the Company's freehold land and buildings.

(b) Charges over Property

The following charges exist over the property at 230 Rosanna Road, Rosanna:
- A charge under the *Retirement Villages Act 1986*
- Security for the following National Australia Bank facilities:

	2020 $	2019 $
Bond Liquidity	5,000,000	5,000,000
Asset Finance	500,000	500,000
	5,500,000	**5,500,000**

(c) Movements in carrying amounts

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year:

	Balance at 1 July 2019	Additions	Disposals / Transfers	Depreciation	Balance at 30 June 2020
Land at Fair Value	24,700,000	-	-	-	24,700,000
Buildings at Fair Value	31,055,912	-	-	(1,349,988)	29,705,924
Plant and Equipment	1,441,069	166,994	(7,825)	(210,959)	1,389,279
Furniture and Fittings	689,457	34,587	(1,938)	(163,722)	558,384
Office Equipment	103,356	77,202	(804)	(47,226)	132,528
Chapel Assets	15,179	-	(26)	(1,598)	13,555
Motor Vehicles	33,196	12,818	(428)	(7,986)	37,600
Capital Works in Progress	927,993	76,226	-	-	1,004,219
Total	**58,966,162**	**367,827**	**(11,021)**	**(1,781,479)**	**57,541,489**

	Notes	2020	2019
		$	$

NOTE 6: INTANGIBLES

	Notes	2020 $	2019 $
Approved Provider Bed Licences (at Deemed Cost)		4,800,000	4,800,000
		4,800,000	**4,800,000**

NOTE 7: OTHER FINANCIAL ASSETS

	Notes	2020 $	2019 $
Non-Current			
Investment in fixed interest securities at fair value through other comprehensive income:			
- JBWere Investment Portfolio		6,769,004	-
		6,769,004	**-**

The Company maintains a portfolio of fixed interest securities (FVOCI) with a carrying value of $6,769,004 (2019: $0) at the end of the reporting period. The fair value of these securities are based on the net asset values as supplied by the investment managers at the end of the reporting period.

NOTE 8: TRADE & OTHER PAYABLES

	Notes	2020 $	2019 $
Current			
Trade Payables		354,575	514,091
Contract Liability - Government Grant	8b	687,500	-
Other Payables and Accrued Charges		137,097	305,287
Deferred Income		30,514	24,959
Loan - Resident Trust Monies		13,441	9,793
Accrued Expenses - Payroll Costs		337,445	256,198
	8a	**1,560,572**	**1,110,328**

(a) Financial liabilities at amortised cost classified as trade and other payables

	2020 $	2019 $
Trade and other payables	1,560,572	1,110,328
less:		
Grant obligations	(687,500)	-
Deferred income	(30,514)	(24,959)
	842,558	**1,085,369**

(b) Contract liabilities

	2020 $	2019 $
Opening balance	-	-
Recognition of revenue from contract liabilities	-	-
Revenue received in advance	687,500	-
Closing balance	**687,500**	**-**

The company has recognised a contract liability in respect to a government grant received in 2019. This relates to the performance obligations from the grant contract that are unsatisifed or partially unsatisifed as at 30 June 2020. All deferred revenue is expected to be recognised in 2021.

	2020	2019
	$	$

NOTE 9: EMPLOYEE BENEFITS

	2020 $	2019 $
Current		
Provision for Annual Leave	1,180,810	1,070,942
Provision for Long Service Leave	480,532	465,112
	1,661,342	**1,536,054**
Non-Current		
Provision for Long Service Leave	**254,019**	**245,665**
Total Employee Benefits Provision	**1,915,361**	**1,781,719**

(a) Reconciliation of Employee Provisions

	2020 $	2019 $
Opening balance	1,781,719	1,729,992
Additional provisions	843,353	835,862
Amounts used	(709,711)	(784,135)
Closing balance	**1,915,361**	**1,781,719**

NOTE 10: FINANCIAL LIABILITIES

	2020 $	2019 $
Current		
Residents' RADs and Accommodation Bonds	**52,193,827**	**48,016,540**

(a) Net accommodation payments received

	2020 $	2019 $
RADs / Accommodation Bonds received	12,558,041	15,168,644
RADs / Accommodation Bonds refunded	(7,158,496)	(7,966,430)
Net accommodation payments received	**5,399,545**	**7,202,214**

(b) Liquidity management

Assisi Centre Limited has a Stand-By Facility of $5,000,000 with the National Australia Bank to provide sufficient liquidity to cover any large repayments of RADs/accommodation bonds to residents.

NOTE 11: REMUNERATION OF AUDITOR

	2020 $	2019 $
Remuneration of the auditor of the Company for:		
- Auditing services	30,500	29,000
	30,500	**29,000**

NOTE 12: CONTINGENT LIABILITIES

The Company had no contingent assets or contingent liabilities as at 30 June 2020 and 30 June 2019.

	2020	2019
	$	$

NOTE 13: RESERVES

	2020 $	2019 $
Asset Revaluation Reserve	43,787,778	43,787,778
Investment Revaluation Reserve	230,780	-
	44,018,558	**43,787,778**

(i) The asset revaluation reserve records revaluation of land and buildings.

(ii) The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets that have been recognised in other comprehensive income.

NOTE 14: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Operating Result

	2020 $	2019 $
Operating Deficit	(2,704,092)	(335,260)
Non-Cash Movements		
Depreciation and amortisation	1,781,479	1,799,098
Bond Retentions, interest and fees deducted	(91,987)	61,893
Net loss on disposal of Property, Plant & Equipment	9,019	2,145
Interest and dividends included in investment activities	(35,784)	-
Movements in Assets and Liabilities		
(Increase) / Decrease in Receivables	373,495	(703,415)
(Increase) / Decrease in Accrued Revenue	100,756	-
(Increase) / Decrease in Interest Receivable	174,419	45,568
(Increase) / Decrease in GST Recoverable	49,257	(58,911)
Increase / (Decrease) in Prepayments	(27,205)	32,446
Increase / (Decrease) in Trade & Other Payables	540,459	213,505
Increase / (Decrease) in Prepaid Income	5,555	(4,942)
Increase / (Decrease) in Provision for Employee Entitlements	133,642	51,727
Increase / (Decrease) in Accrued Expenses	(99,539)	289,389
Cash Flows from Operations	**209,474**	**1,393,243**

NOTE 15: RELATED PARTIES

During the year ended 30 June 2020 there were no transactions with, amounts receivable from or payable to related parties, loans to or from related parties (2019: nil).

NOTE 16: KEY MANAGEMENT PERSONNEL

The Key Management Personnel comprises the Chief Executive Officer, the Director of Care and the Chief Financial Officer. Total remuneration and benefits included in Employee Benefits in the Statement of Comprehensive Income paid to Key Management Personnel during the year totalled $668,263 (2019: $611,717).

NOTE 17: CAPITAL COMMITMENTS

At 30 June 2020 the Company had commitments of $87,729 (2019: $163,800) for expenditure on architects and consultants for the preparation of plans and submissions for planning permission for construction of retirement living apartments and associated amenities and further extension of the residential aged care accommodation.

NOTE 18: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, resident's RADs and Accommodation Bonds.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Notes	2020	2019
Financial assets		$	$
Financial assets at amortised cost:			
Cash and cash equivalents	3	36,571,134	37,826,734
Trade and other receivables	4	401,233	2,228,345
		36,972,367	40,055,079
Financial assets at FVTOCI			
Other financial assets	7	6,769,004	-
Total financial assets		43,741,371	40,055,079
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	8a	842,558	1,085,369
Residents' RADs and Accommodation Bonds	10	52,193,827	48,016,540
Total financial liabilities		53,036,385	49,126,868

NOTE 19: FAIR VALUE MEASURE

The Company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after initial recognition. The Company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	Notes	2020	2019
Recurring fair value measurements		$	$
Non-financial assets			
Land	5	24,700,000	24,700,000
Buildings	5	33,650,000	33,650,000
Total non-financial assets recognised at fair value		58,350,000	58,350,000

Fair value of the land and buildings is based on valuation performed by independent, professionally-qualified property valuers. Refer to Note 5 for more details.

NOTE 20: MEMBER'S GUARANTEE

Assisi Centre Limited is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $1.00 each towards meeting any outstanding obligations of the entity. At 30 June 2020, the total amount that members of the company are liable to contribute if the company is wound up is $162 (2019:$162).

NOTE 21: EVENTS AFTER THE BALANCE DATE

Other than the potential ongoing impact of COVID-19 and the final recommendations that will be issued by the Royal Commission into Aged Care Quality and Safety, the Directors are not aware of any other matter or circumstance arising since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, or the Company's state of affairs in future financial years.

NOTE 22: SEGEMENT REPORTING

The Company, as an approved provider, operates in one business and geographical segment being the provision of residential aged care facilities in Rosanna, Victoria and this General Purpose Financial Report therefore relates only to such operations.

NOTE 23: COMPANY DETAILS

The registered office of the Company is:
Assisi Centre Limited
230 Rosanna Road
ROSANNA VIC 3084

The principal place of business is:
Assisi Centre Limited
230 Rosanna Road
ROSANNA VIC 3084

ASSISI CENTRE LIMITED

DIRECTORS DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 32, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and;
   a. comply with Accounting Standards - Reduced Disclosure Requirements; and
   b. give a true and fair view of the financial position as at 30 June 2020 and of the performance of the Company for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Donato Smarrelli
Director

Don Pasquariello
Director

Dated this 26th day of October 2020

ShineWing AUSTRALIA
Advisors & Accountants

Take the lead

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASSISI CENTRE LIMITED

Opinion

We have audited the financial report of Assisi Centre Limited (the Company) which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Assisi Centre Limited is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a. giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance 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 auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and 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.

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 Company's 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.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012,* 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.

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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 26 October 2020