Mater Misericordiae Ltd

and
its subsidiaries

Annual report

for the year ended 30 June 2018

Registered office:
Raymond Terrace
South Brisbane QLD 4101
Incorporated in Australia, 4 May 2001

Mater Misericordiae Ltd and its subsidiaries

Annual Report

For the financial year ended 30 June 2018

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Annual Report

For the financial year ended 30 June 2018

Corporate information

ABN 83 096 708 922

Directors

Mr. Brian Flannery *(Chairman)*
Mr. Vincent O'Rourke (resigned November 2017)
Mr. Peter Pearce
Mr. Terence Crawford *(Deputy Chairman)*
Mr. John Reynolds
Sr. Pauline Burke
Professor Catherine Turner
Dr. Geoffrey Hirst
Ms. Susan Rix
Dr. Mark O'Brien (appointed December 2017)

Company secretary

Mr. Laurence Rogencamp

Registered office and principal place of business

Raymond Terrace,
South Brisbane,
Queensland, Australia

Solicitors

Rogencamp and Co. Lawyers
Brisbane, Queensland, Australia

Bankers

Australia and New Zealand Bank Ltd
Brisbane, Queensland, Australia

Auditor

Grant Thornton Audit Pty Ltd
Brisbane, Queensland, Australia

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Auditor's Independence Declaration

To the Directors of Mater Misericordiae 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 Mater Misericordiae Ltd for the year ended 30 June 2018, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner - Audit & Assurance

Brisbane, 20 November 2018

Statement of financial position

	Notes	Consolidated entity 2018 $000	Consolidated entity 2017 $000	Parent entity 2018 $000	Parent entity 2017 $000
Assets					
Current assets					
Cash and cash equivalents	4	37,689	53,301	21,961	37,436
Trade and other receivables	5	67,771	65,034	61,936	61,771
Inventories	6	13,343	13,547	12,959	13,223
Financial assets	7	15,394	11,865	21	14
Assets held for sale		-	3,093	-	-
Other assets	8	17,900	20,732	5,653	6,327
Total current assets		**152,097**	**167,572**	**102,530**	**118,771**
Non-current assets					
Property, plant and equipment	9	752,378	761,877	713,870	724,239
Intangible assets	10	77,013	82,441	75,581	79,763
Investments using the equity method	19	76,497	77,738	37	15
Other assets	8	30,020	30,748	133,074	133,802
Loan receivable	22	-	-	27,234	26,232
Total non-current assets		**935,908**	**952,804**	**949,796**	**964,051**
Total assets		**1,088,005**	**1,120,376**	**1,052,326**	**1,082,822**
Liabilities					
Current liabilities					
Trade and other payables	11	85,141	71,355	80,916	68,052
Financial liabilities	7	192	330	94	304
Unearned income	12	21,302	9,785	12,281	689
Provisions	13	116,182	113,167	111,586	108,839
Total current liabilities		**222,817**	**194,637**	**204,877**	**177,884**
Non-current liabilities					
Financial liabilities	7	40,183	100,074	40,000	100,046
Unearned income	12	75,290	77,704	75,290	77,704
Provisions	13	40,489	39,580	39,332	38,219
Total non-current liabilities		**155,962**	**217,358**	**154,622**	**215,969**
Total liabilities		**378,779**	**411,995**	**359,499**	**393,853**
Net assets		**709,226**	**708,381**	**692,827**	**688,969**
Equity					
Building Reserve	14	240,478	240,478	240,478	240,478
Financial asset revaluation reserve	14	1,299	506	-	-
Capital Contribution	15	27,643	27,643	130,698	130,698
Retained earnings		439,806	439,754	321,651	317,793
Total equity		**709,226**	**708,381**	**692,827**	**688,969**

The above Statement of financial position should be read in conjunction with the notes to the financial statements.

Statement of profit or loss and other comprehensive income

	Notes	Consolidated entity 2018 $000	Consolidated entity 2017 $000	Parent entity 2018 $000	Parent entity 2017 $000
Revenue					
Rendering of services		861,237	829,479	840,530	810,087
Sale of goods		52,873	55,250	52,873	55,250
Other revenue	2	101,383	100,981	23,015	25,522
Total revenue		**1,015,493**	**985,710**	**916,418**	**890,859**
Other income	3	62	1,095	-	(46)
Expenses					
Employee expenses		(634,226)	(607,951)	(593,796)	(571,179)
Pharmaceutical and medical expenses		(157,520)	(156,558)	(157,419)	(156,526)
Property and maintenance expenses		(47,405)	(45,458)	(39,238)	(37,912)
Catering and domestic expenses		(14,929)	(17,355)	(21,890)	(22,300)
Administration expenses		(112,982)	(111,985)	(57,661)	(55,240)
Depreciation and amortisation expense	9, 10	(44,231)	(44,504)	(41,893)	(42,683)
Impairment reversal/(impairment) of assets	9, 10	(184)	-	1,244	-
Finance expenses		(1,856)	(3,298)	(1,840)	(3,297)
Other expenses		(929)	(935)	(89)	(842)
Total expenses		**(1,014,262)**	**(988,044)**	**(912,582)**	**(889,979)**
Operating surplus/(deficit)		1,293	(1,239)	3,836	834
Share of profit/(loss) in associates and joint ventures	19	(1,241)	(2,011)	22	(37)
Net surplus/(deficit) for the financial year		**52**	**(3,250)**	**3,858**	**797**
Other comprehensive income					
Financial asset revaluation reserve	14	793	(513)	-	152
Total other comprehensive income		**793**	**(513)**	**-**	**152**
Total comprehensive income attributable to the owners		**845**	**(3,763)**	**3,858**	**949**

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

Consolidated entity	**Building reserve $000**	**Financial asset revaluation reserve $000**	**Capital contribution $000**	**Retained Earnings $000**	**Total Equity $000**
Balance at 1 July 2016	**240,478**	**1,019**	**27,643**	**443,004**	**712,144**
Net surplus/(deficit) for the financial year	-	-	-	(3,250)	(3,250)
Other comprehensive income	-	(513)	-	-	(513)
Total comprehensive income for the year	**-**	**(513)**	**-**	**(3,250)**	**(3,763)**
Balance at 1 July 2017	**240,478**	**506**	**27,643**	**439,754**	**708,381**
Net surplus/(deficit) for the financial year	-	-	-	52	52
Other comprehensive income	-	793	-	-	793
Total comprehensive income for the year	**-**	**793**	**-**	**52**	**845**
Balance at 30 June 2018	**240,478**	**1,299**	**27,643**	**439,806**	**709,226**

Parent entity	**Building reserve $000**	**Financial asset revaluation reserve $000**	**Capital contribution $000**	**Retained Earnings $000**	**Total Equity $000**
Balance at 1 July 2016	**240,478**	**(152)**	**130,698**	**316,996**	**688,020**
Net surplus/(deficit) for the financial year	-	-	-	797	797
Other comprehensive income	-	152	-	-	152
Total comprehensive income for the year	**-**	**152**	**-**	**797**	**949**
Balance at 1 July 2017	**240,478**	**-**	**130,698**	**317,793**	**688,969**
Net surplus/(deficit) for the financial year	-	-	-	3,858	3,858
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**3,858**	**3,858**
Balance at 30 June 2018	**240,478**	**-**	**130,698**	**321,651**	**692,827**

The above Statement of changes in equity should be read in conjunction with the notes to the financial statements.

Statement of cash flows

	Notes	Consolidated entity 2018 $000	Consolidated entity 2017 $000	Parent entity 2018 $000	Parent entity 2017 $000
Cash flows from operating activities					
Receipts in the course of operations		1,079,480	1,051,374	980,150	950,720
Payments in the course of operations		(1,011,054)	(1,009,923)	(914,080)	(907,694)
Dividends received		5	228	5	228
Interest received		667	824	1,344	1,424
Interest paid		(2,260)	(3,672)	(2,244)	(3,670)
Net cash flows from/(used in) operating activities	21	**66,838**	**38,831**	**65,175**	**41,008**
Cash flows from investing activities					
Payments for property, plant and equipment		(22,568)	(32,719)	(19,151)	(30,023)
Net proceeds/(payments) for assets held for sale		2,712	(2,881)	-	-
Net proceeds/(payments) from sale of financial assets		(2,023)	11,103	(7)	6,015
Proceeds on disposal of non-current assets		8	211	8	211
Net cash flows from/(used in) investing activities		**(21,871)**	**(24,286)**	**(19,150)**	**(23,797)**
Cash flows from financing activities					
Proceeds from borrowings		-	28,000	-	28,000
Repayment of financial liabilities		(60,000)	(28,361)	(60,000)	(28,361)
Borrowings to related parties		-	-	(1,500)	-
Distributions to beneficiaries		(579)	(2,039)	-	-
Net cash flows from/(used in) financing activities		**(60,579)**	**(2,400)**	**(61,500)**	**(361)**
Net increase/(decrease) in cash and cash equivalents		(15,612)	12,145	(15,475)	16,850
Cash and cash equivalents at the beginning of the financial year		53,301	41,156	37,436	20,586
Cash and cash equivalents at the end of the financial year	4	**37,689**	**53,301**	**21,961**	**37,436**

The above Statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements

1. Statement of significant accounting policies

Financial overview

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for profits Commission (ACNC) Act 2012.*

MML (the company) is a not-for-profit company limited by guarantee incorporated and domiciled in Australia.

The group has considerable financial resources together with long-term contracts with a number of Government and non-Government institutions. As a consequence the directors believe that the group is well placed to manage its business risks successfully despite the current economic outlook. After making enquiries the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial report.

The financial report of MML and its subsidiaries for the year ended 30 June 2018 were authorised for issue on 25 October 2018 in accordance with a resolution of the directors.

(a) Basis of preparation

The financial report has also been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) and are presented in Australian dollars, under the option available to the company under the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the legislation applies.

(b) Principles of consolidation

A controlled entity is any entity over which MML has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 24 to the financial statements.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(b) Principles of consolidation (continued)

All assets and liabilities of MML and the subsidiaries of the Mater consolidated group entity have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the consolidated group entity during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Investments in associates
Associates are companies over which the group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associate company. In addition, the group's share of the profit or loss of the associate company is included in the group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition, whereby the group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profit and losses resulting from transactions between the group and the associate are eliminated to the extent of the group's interest in the associate.

When the group's share of losses in an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further losses unless it has incurred legal or constructive obligation or made payments on behalf of the associate. Upon the associate subsequently making profits, the group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Investments in joint ventures
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures in the financial statements are accounted for by applying the equity method of accounting, whereby the interest in the joint venture is initially recorded at cost and adjusted thereafter for the post acquisition change in the venturer’s share of net assets of the jointly controlled entity. The profit or loss of the venture includes the venturer’s share of the profit or loss of the jointly controlled entity.

(c) New and revised standards that are effective for these financial statements

There are no new or revised standards that will have a material impact on the organisation for the reporting period.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(d) Assets held for sale

Mater Foundation work in progress as it relates to lotteries, consists of the cost of houses and land under construction plus completed home packages which are yet to be allocated to a specific lottery. When the entity intends to sell these assets in an open market instead of allocating them to a specific lottery, the asset is classified as "held for sale" and presented separately in the statement of financial position.

Assets classified as "held for sale" are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortisation.

(e) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Rendering of services
Revenue is recognised upon the delivery of the service to the patients or customers and when it can be reliably measured.

Grant revenue
Revenue is received to support general patient care and clinical research, and as such, is recognised as and when it is earned.

Capital contributions
Revenue is recognised on the receipt of contributions where no contractual obligations have been established, or where contractual obligations have been established, over the life of their fulfillment, on a straight-line basis.

Lottery revenue
Lottery revenue includes revenue from various lottery draws. This revenue is recognised when the lottery is drawn.

Fundraising revenue
Fundraising revenue includes revenue from fundraising events and projects. This revenue is recognised when the fundraising project is completed or the event has taken place.

Donation revenue
Donations are recognised as income when received.

Interest income
Interest income is recognised on a proportional basis taking into account applicable interest rates.

Sale of products
Revenue is recognised in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk passed to the customer.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(e) Revenue recognition (continued)

Dividend revenue
Revenue is recognised when the right to receive a payment is established.

Research and development grants
Revenue is recognised upon receipt when relating to research and development activity whose costs have been expensed, or on the delivery of contractual outcomes when relating to research and development contractual activity.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are charged to the Statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with Financial Institutions, other short-term highly liquid investments with maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Financial assets

Term deposits with a maturity date of three (3) months or more from the balance sheet date are classified as financial assets.

(i) Trade receivables

Trade and other receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less a provision for impairment.

Trade receivables balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off.

An impairment provision is recognised when there is objective evidence that the company will not be able to collect the receivable. The amount of the impairment loss is the difference between the receivable carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(j) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

- Medical and consumable supplies - weighted average cost
- Pharmaceutical supplies - weighted average cost
- Engineering spares - weighted average cost
- Foodstuffs - purchase cost on a first in, first out basis

Net realisable value is the estimated selling price of the item used in the ordinary course of business.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less where applicable, any accumulated depreciation.

Cost is determined as the value given as consideration plus costs incidental to the acquisition and all other costs incurred to bring the asset to a state where it is ready for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

The cost of property, plant and equipment constructed by the company includes the cost of materials, direct labour and borrowing costs.

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 the Statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Recognition

Items of property, plant and equipment with a cost or other value of $5,000 or more, and with a useful life of more than one year, are recognised as assets in the year of acquisition. Items not meeting these criteria are expensed in the year of acquisition.

Items or components that form an integral part of an asset are recognised as a single functional asset. The recognition threshold is applied to the aggregate cost of each functional asset.

Land and Buildings

Land contributed to the company has been recorded in the company's books at fair value at the time of contribution. Buildings transferred to the company on incorporation have been recorded in the company's books at fair value at that date, and depreciation charged against this value. All other buildings purchased or constructed are stated at cost less depreciation and impairment.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

Other property, plant and equipment

All other property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an 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 can be measured reliably. All repairs and maintenance are charged to the Statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets as follows:

Buildings - structure	40 to 50 years
Buildings - systems	20 to 35 years
Buildings - fit-out and others	15 years
Plant and equipment	5 to 10 years
Leased plant and equipment	4 to 7 years

Depreciation rates applied to each class of assets in MML and the subsidiaries are consistent and within the estimated useful life ranges above.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

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.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

The gain or loss on disposal of non-current assets is calculated as the difference between the carrying amount of an asset at the time of disposal and the proceeds on disposal and is brought to account in the year of disposal.

(l) Intangible assets

Intangible assets acquired are capitalised at cost and following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of profit or loss and other comprehensive income in the expense category "depreciation and amortisation."

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(l) Intangible assets (continued)

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangible, annually. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the company's intangible assets is as follows:

	Contractual Rights	**Licenses**	**Software**
Useful lives	Finite	Indefinite	Finite
Methods used	Straight line: 50- 60 years	N/A	Straight line: 2- 6 years
Internally generated/acquired	Acquired	Acquired	Acquired
Impairment test / recoverable amount	Where an indicator of impairment exists	Where an indicator of impairment exists	Where an indicator of impairment exists

(m) Impairment of assets

The company assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset is defined as its value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated, in which case, the recoverable amount is determined for a cash-generating unit to which the asset belongs.

With regards to the company's buildings, the depreciated replacement cost method is used in determining their recoverable amount.

In assessing value in use, the estimated cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade accounting is adopted).

Financial instruments are initially measured 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.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(n) Financial instruments (continued)

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transaction, reference to similar instruments and option pricing models.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) ***Financial assets/liabilities at fair value through profit or loss***
Financial assets/liabilities are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets/liabilities are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) ***Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortisation cost.

(iii) ***Held-to-maturity investments***
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortisation cost.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(n) Financial instruments (continued)

(iv) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, there is an assessment made to identify objective evidence indicating that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are immediately recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with Australian Accounting Standards Board (AASB) 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(o) Taxation

All activities of the entities in the Mater consolidated group entity are exempt from all Commonwealth taxation except for fringe benefits tax (FBT) and goods and services tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross basis and the *Goods and Services Tax Act 1999* component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(p) Trade and other payables

Trade and other payables are carried at original invoice amount and represent liabilities for goods and services provided to the company to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the balance date.

(r) Borrowing costs

Borrowing costs are expensed as incurred. Borrowing costs directly attributable to the acquisition, construction or 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.

(s) Provisions

Provisions are recognised when the company has a present legal or constructive obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss and other comprehensive income net of any reimbursement.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(s) Provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(t) Employee benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve (12) months of the reporting period are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*

Liabilities for long service leave are recognised in the provision for employee benefits and measured at 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 the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond rate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(u) Comparative figures

The Mater consolidated group entity results include twelve (12) month results of both the parent and all subsidiaries of the consolidated group for financial year 2018 and 2017. Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes to consistently align presentation for all group entities.

(v) Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates together with managements need to exercise judgment in applying the group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgment or complexity.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) *Carrying value of non-current assets assessed for indicators of impairment*

The company assesses whether there is an indication that a non-current asset may be impaired. Where an indicator of impairment exists relating to the carrying amount of the non-current asset the company makes a formal estimate of recoverable amount. Where the carrying amount of the non-current asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(v) Critical accounting estimates and judgments (continued)

(ii) *Depreciation*

MML estimates the useful life and residual values of all non-current assets based on the expected period of time over which economic benefits from the use of the asset will be derived. MML reviews useful life assumptions on an annual basis having given consideration to variables including historical and forecast usage rates, technological advancements and changes in legal and economic conditions.

(iii) *Employee entitlements*

The provision for employee entitlements is based on a combination of historic data including employee balances carried forward and management estimates performed on an annual basis. This provision includes annual recreational leave (ARL), long service leave (LSL), accrued days off (ADO), time in lieu (TIL), purchased leave (PL) and professional development leave (PDL) outstanding at 30 June 2018. The determination of the provision required is dependent on a number of assumptions, including expected wage increases. The length of employee service is considered together with the high quality corporate bond rates in the calculation of LSL. Employee entitlements that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled and any entitlements payable later than one year have been measured at the net present value of estimated future cash outflows.

(iv) *Provision for medico-legal claims*

The provision for Medico legal claims is based on an actuarial methodology carried out using quantitative techniques to estimate the likely future payments for losses retained by MML under existing insurance arrangements. The estimate for the provision is calculated based upon known claims, discounted to reflect net present value, and includes a conservative risk margin.

Notes to the consolidated financial statements (continued)

2. Other revenue

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Donation equipment, general or building fund	13,999	19,538	1,215	2,294
Dividend income	656	835	5	228
Interest income	654	860	1,344	1,461
Rental income	10,151	9,486	11,163	10,108
Lottery proceeds	52,401	50,749	-	-
Fundraising income	14,681	7,982	-	-
Other revenue	8,841	11,531	9,288	11,431
Total other revenue	**101,383**	**100,981**	**23,015**	**25,522**

3. Other income

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Realised gain/(loss) on investments	62	1,095	-	(46)
Total other income	**62**	**1,095**	**-**	**(46)**

Notes to the consolidated financial statements (continued)

4. Cash and cash equivalents

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Cash at bank and in hand	12,881	9,017	3,463	1,203
Bank at call deposits	18,518	36,250	18,498	36,233
Held to maturity investments	6,290	8,034	-	-
Total cash and cash equivalents	**37,689**	**53,301**	**21,961**	**37,436**

Bank and short term deposits are available on demand. Held to maturity investments are term deposits with a maturity of 3 months or less from 30 June 2018. These are classified as cash and cash equivalents.

5. Trade and other receivables

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Current				
Trade receivables	69,070	66,428	61,883	62,595
Provision for impairment	(1,890)	(2,220)	(1,890)	(2,220)
	67,180	**64,208**	**59,993**	**60,375**
Other receivables	591	826	591	826
Related party receivables	-	-	1,352	570
Total trade and other receivables	**67,771**	**65,034**	**61,936**	**61,771**

Notes to the consolidated financial statements (continued)

6. Inventories

	Consolidated entity		Parent entity	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Current				
Pharmaceutical and medical supplies at cost	12,241	12,376	11,912	12,106
Engineering stores at cost	463	410	463	410
Other inventories at cost	639	761	584	707
Total inventories	**13,343**	**13,547**	**12,959**	**13,223**

7. Fair value measurement of financial instruments

The following table shows the financial assets and liabilities measured at fair value on a recurring basis at 30 June 2018 and 30 June 2017.

	Consolidated entity		Parent entity	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Financial assets				
Current				
Available for sale investments	15,394	11,865	21	14
Total financial assets	**15,394**	**11,865**	**21**	**14**
Financial liabilities				
Current				
Lease liabilities	98	26	-	-
Interest rate swap contracts	94	304	94	304
Total current liabilities	**192**	**330**	**94**	**304**
Non-current				
Bank loan - secured	40,000	100,000	40,000	100,000
Lease liabilities	183	28	-	-
Interest rate swap contracts	-	46	-	46
Total non-current liabilities	**40,183**	**100,074**	**40,000**	**100,046**
Total financial liabilities	**40,375**	**100,404**	**40,094**	**100,350**
Net fair value of financial instruments	**(24,981)**	**(88,539)**	**(40,073)**	**(100,336)**

Notes to the consolidated financial statements (continued)

7. Fair value measurement of financial instruments (continued)

Held to maturity investments are term deposits with a maturity date of 3 months or more from 30 June 2018. These are classified as financial assets.

The non-current loan of $40m includes debt of $20m with National Australia Bank (NAB) and $20m with Australia and New Zealand Bank (ANZ). The $120m Club Loan Facility is in place for a 5 year term, expiring in June 2020, and is split equally across these two banking institutions. The assets pledged for security carry a value of $122m, which is more than one time but less than two times the total commitment of the loan. As at 7 April 2017, the facilities are secured and the margin rate was decreased from 1.7% to 1.4% in addition to the unused facility rate reducing from 0.5% to 0.4%.

The $20m extra swap contract facility with National Australia Bank (NAB) was closed 4th September 2017.

The interest rate swap contracts were initially recognised at fair value in the Statement of Financial Position in accordance with AASB 139 “Financial instruments: recognition and measurement” when MML became a party to the contractual terms of these three contracts. Interest rates and yield curves, Level 2 inputs, have been used to determine the best estimate of the fair value of the instrument at the year end.

During the financial year, no new swap contracts have been entered into and MML has continued to hold the one interest rate swap contract with one banking institution; one $40m contract with ANZ. The maturity date for this swap contract is 19 September 2018.

As at 30 June 2018, the total liability recognised for the fair value of the interest rate swap is $94k.

MML has access to the following lines of credit:

	Parent entity	
	2018	**2017**
	$000	**$000**
Total facilities available:		
Bank loans	120,000	140,000
Guarantee facilities	822	2,046
	120,822	**142,046**
Facilities utilised at balance date:		
Bank loans	40,000	100,000
Guarantee facilities	822	831
	40,822	**100,831**
Facilities not used at balance date:		
Bank loans	80,000	40,000
Guarantee facilities	-	1,215
	80,000	**41,215**

Notes to the consolidated financial statements (continued)

8. Other assets

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Current				
Prepaid land rental	728	728	728	728
Prepayments	17,172	20,004	4,925	5,599
Total current other assets	**17,900**	**20,732**	**5,653**	**6,327**
Non-current				
Investment in subsidiaries	-	-	103,054	103,054
Prepaid land rental	30,020	30,748	30,020	30,748
Total non-current other assets	**30,020**	**30,748**	**133,074**	**133,802**

Prepayments for the consolidated entity includes Mater Foundation work in progress (WIP) which relates to Lottery prize homes in progress of $9,744k (2017: $11,992k).

Notes to the consolidated financial statements (continued)

9. Property, plant and equipment

	Consolidated entity		Parent entity	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**
Land and buildings:				
At cost	971,108	967,082	937,102	933,077
Accumulated depreciation	(283,318)	(256,514)	(277,601)	(251,389)
Accumulated impairment	(13,549)	(14,793)	(13,549)	(14,793)
	674,241	**695,775**	**645,952**	**666,895**
Plant and equipment:				
At cost	221,653	213,744	196,471	190,315
Accumulated depreciation	(163,488)	(152,768)	(147,574)	(138,097)
	58,165	**60,976**	**48,897**	**52,218**
Capital work in progress:				
At cost	19,972	5,126	19,021	5,126
	19,972	**5,126**	**19,021**	**5,126**
Total property, plant and equipment written down value	**752,378**	**761,877**	**713,870**	**724,239**

Capitalised interest of $148k was taken up in property, plant and equipment in year ended 30 June 2018 (2017: $268k).

Notes to the consolidated financial statements (continued)

9. Property, plant and equipment (continued)

A reconciliation of the carrying amount of property, plant & equipment at the beginning and end of the current financial year is set out below:

Consolidated entity	**Land and buildings $000**	**Plant and equipment $000**	**Capital work in progress $000**	**Capitalised interest $000**	**Total $000**
Opening net book amount	695,775	60,976	5,126	-	761,877
Additions	3,474	9,480	15,717	148	28,819
Disposals	-	(167)	-	-	(167)
Depreciation charge	(26,884)	(12,511)	-	-	(39,395)
Net impairment reversal	1,244	-	-	-	1,244
Transfers	632	387	(871)	(148)	-
Carrying amount at 30 June 2018	**674,241**	**58,165**	**19,972**	**-**	**752,378**

Parent entity	**Land and buildings $000**	**Plant and equipment $000**	**Capital work in progress $000**	**Capitalised interest $000**	**Total $000**
Opening net book amount	666,895	52,218	5,126	-	724,239
Additions	3,473	7,616	14,766	148	26,003
Disposals	-	(89)	-	-	(89)
Depreciation charge	(26,292)	(11,235)	-	-	(37,527)
Net impairment reversal	1,244	-	-	-	1,244
Transfers	632	387	(871)	(148)	-
Carrying amount at 30 June 2018	**645,952**	**48,897**	**19,021**	**-**	**713,870**

Notes to the consolidated financial statements (continued)

9. Property, plant and equipment (continued)

Impairment of buildings, plant and equipment

An assessment of the recoverable amount of buildings, plant and equipment, based on value in use is determined at the cash-generating unit and corporate asset levels.

The result of this assessment is a reversal of the impairment recognised in the 2009-10 financial year. The anticipated change in use of the original Mater Mother's Hospital following the commissioning of the Mater Mother's Hospital in 2008 was reversed by the approval of a *Material Change in Use* application in 2012 and the related development post this approval. The impairment loss of $14.8m has been reversed.

Further assessment has resulted in an impairment of a number of properties on Stanley Street. An impairment loss of $13.6m has been recorded.

10. Intangible assets

	Consolidated entity		Parent entity	
	2018	2017	2018	2017
	$000	$000	$000	$000
Contractual rights				
At cost	70,179	70,179	70,179	70,179
Accumulated amortisation	(1,658)	(1,195)	(1,658)	(1,195)
	68,521	**68,984**	**68,521**	**68,984**
Licenses				
At cost	895	895	641	641
Accumulated amortisation	(303)	(282)	(54)	(46)
	592	**613**	**587**	**595**
Software				
At cost	52,030	51,759	51,306	51,122
Accumulated amortisation	(45,702)	(41,416)	(44,882)	(41,012)
	6,328	**10,343**	**6,424**	**10,110**
Other intangible assets				
At cost	1,744	2,607	171	171
Accumulated amortisation	(172)	(106)	(122)	(97)
	1,572	**2,501**	**49**	**74**
Total intangibles	**77,013**	**82,441**	**75,581**	**79,763**

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

A reconciliation of the carrying amount for intangibles at the beginning and end of the current financial year is set out below:

	Consolidated entity		Parent entity	
	2018	2017	2018	2017
	$000	$000	$000	$000
Carrying amount at 1 July 2017	82,441	83,117	79,763	81,525
Additions	836	1,253	184	51
Additions through transfer	-	3,330	-	3,330
Amortisation expense	(4,836)	(5,259)	(4,366)	(5,143)
Impairment charge	(1,428)	-	-	-
Carrying amount at 30 June 2018	**77,013**	**82,441**	**75,581**	**79,763**

Impairment of intangibles

Mater Foundation Board approved a decision to change the project scope of the Customer Relationship Management (CRM) project and to cease development of an element of the CRM asset. This decision resulted in an impairment loss of the existing asset totalling $1.4m.

Contractual rights

The contractual rights of MML have been recognised at deemed cost less any accumulated impairment. The contractual rights of MML consist of the Lady Cilento Children's hospital (LCCH) car park management rights and the LCCH footprint rights held in the Statement of financial position. MML holds the rights to purchase the LCCH footprint in 60 years for a nominal amount of $1. The LCCH footprint is not subject to amortisation due to the nature of this contractual right. The LCCH car park management rights have been determined to have a life of 60 years and are subject to amortisation on a straight line basis over its useful life. The LCCH car park management rights are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The gross value of the LCCH car park management rights and the LCCH footprint are $27.2m and $42.9m respectively. The LCCH car park management rights have been amortised from November 2014 when MML began operating this car park, and as at 30 June 2018 the accumulated amortisation for the management rights totals $1.66m. The remaining value for the LCCH car park management rights at 30 June 2018 is $25.5m with a remaining expected life of 56 years and 5 months.

Licenses

After initial recognition, licenses are carried at cost less any accumulated impairment losses. The licenses have been granted by the relevant issuing government agency and have been determined to have indefinite useful lives. Licenses are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

Software

Software costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using straight line method over its useful life. The amortisation has been recognised in the Statement of profit or loss and other comprehensive income. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

11. Trade and other payables

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Current				
Trade payables	53,660	44,905	51,428	42,891
Other payables and accruals	31,481	26,450	29,488	25,161
Total trade and other payables	**85,141**	**71,355**	**80,916**	**68,052**

12. Unearned income

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Current				
Unearned income	20,000	7,903	12,281	689
Committed trust distributions	1,302	1,882	-	-
Total current	**21,302**	**9,785**	**12,281**	**689**
Non-current				
Unearned income	75,290	77,704	75,290	77,704
Total non-current	**75,290**	**77,704**	**75,290**	**77,704**
Total unearned income	**96,592**	**87,489**	**87,571**	**78,393**

Notes to the consolidated financial statements (continued)

13. Provisions

In November 2014, an agreement was reached between MML and Queensland Health (QH) whereby MML recognised a provision in relation to employee entitlement balances of Mater employees who subsequently became QH employees at the Lady Cilento Children's Hospital (LCCH) at the transfer date of 29 November 2014. The provision amount is based on the annual recreational leave (ARL) and long service leave (LSL) entitlements of Mater employees as at the date of ceasing employment at the Mater. ARL balances that were transferred over were balances of two years equivalent ARL or less whilst any ARL over that amount was paid out via payroll to the transferring employees. LSL entitlements will be paid in one lump sum for those employees who have reached the entitlement threshold as at 29 November 2014 and in quarterly installments for those employees when the employee reaches the LSL entitlement threshold for continuous years of service required under their current terms of employment. The total amount owing to LCCH at 30 June 2018 is $2.5m.

	Consolidated entity		Parent entity	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**
Current				
Employee entitlements	107,853	105,262	103,257	100,934
Restructuring obligations	-	110	-	110
Provision for leave pay out to QH	948	877	948	877
Medico-legal claims	7,381	6,918	7,381	6,918
Total current provisions	**116,182**	**113,167**	**111,586**	**108,839**
Non-current				
Employee entitlements	22,968	21,542	21,811	20,181
Provision for leave pay out to QH	1,602	2,501	1,602	2,501
Medico-legal claims	15,919	15,537	15,919	15,537
Total non-current provisions	**40,489**	**39,580**	**39,332**	**38,219**
Total provisions	**156,671**	**152,747**	**150,918**	**147,058**

Notes to the consolidated financial statements (continued)

13. Provisions (continued)

Consolidated entity	Annual leave $000	Long service leave $000	Other employee entitlements $000	Provision for leave payout to QH $000	Medico-legal claims $000	Restructuring obligations $000	Total $000
Opening balance at 1 July 2017	48,339	63,843	14,622	3,378	22,455	110	152,747
Additional provisions	47,636	10,940	8,241	-	4,775	-	71,592
Transfers in/(out)	(122)	(557)	(384)	-	-	-	(1,063)
Amounts used	(44,733)	(7,854)	(9,150)	(828)	(3,930)	(110)	(66,605)
Balance at 30 June 2018	**51,120**	**66,372**	**13,329**	**2,550**	**23,300**	**-**	**156,671**

Parent entity	Annual leave $000	Long service leave $000	Other employee entitlements $000	Provision for leave payout to QH $000	Medico-legal claims $000	Restructuring obligations $000	Total $000
Opening balance at 1 July 2017	45,638	60,907	14,570	3,378	22,455	110	147,058
Additional provisions	44,922	10,525	8,224	-	4,775	-	68,446
Transfers in/(out)	(122)	(557)	(384)	-	-	-	(1,063)
Amounts used	(42,050)	(7,465)	(9,140)	(828)	(3,930)	(110)	(63,523)
Balance at 30 June 2018	**48,388**	**63,410**	**13,270**	**2,550**	**23,300**	**-**	**150,918**

The nature of each provision is disclosed in Note 1 of the financial statements.

Notes to the consolidated financial statements (continued)

14. Reserves

Building reserve

The building reserve records buildings and existing assets contributed at Incorporation by the Corporation of the Trustees of the Order of the Sisters of Mercy in Queensland.

Financial assets revaluation reserve

The financial asset revaluation reserve records revaluation of financial assets classified as available-for-sale.

15. Capital contributions

The capital contribution records land contributed by the Corporation of the Trustees of the Order of the Sisters of Mercy in Queensland, as a component of the agreement between the Corporation of the Trustees of the Order of the Sisters of Mercy in Queensland, Queensland Health and MML with respect to the development of the Queensland Children's Hospital.

16. Leasing commitments

Finance lease commitments

Holy Cross Laundry Limited entered into finance lease arrangements during the year for plant and equipment.

	Consolidated entity		Parent entity	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**
Not later than 12 months	110	28	-	-
Between 12 months and 5 years	201	29	-	-
Minimum lease payments	311	57	-	-
Less future finance charges	(30)	(3)	-	-
Total lease liabilities	**281**	**54**	**-**	**-**

Notes to the consolidated financial statements (continued)

16. Leasing commitments (continued)

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Payable - minimum lease payments				
Not later than 12 months	19,079	18,579	4,434	4,528
Between 12 months and 5 years	5,798	5,880	4,670	5,880
Greater than 5 years	-	189	-	189
	24,877	**24,648**	**9,104**	**10,597**
Receivable - minimum lease receivables				
Not later than 12 months	6,268	5,828	6,268	5,828
Between 12 months and 5 years	20,176	17,612	20,176	17,612
Greater than 5 years	59,634	54,599	59,634	54,599
	86,078	**78,039**	**86,078**	**78,039**

Notes to the consolidated financial statements (continued)

17. Capital commitments

Mater Misericordiae Ltd (MML)
MML committed to contracts with third parties to complete capital projects on several developments across Mater campuses. These included MHB Ward 10A Extra Emergency Presentations (completed September 2017), Mater Education Limited (MEL) Potter L2 Fitout (completed June 2018), Mater Private Hospital Air Handling Upgrade (ongoing), Mater Private Redlands Chiller Replacement (ongoing), Potter Ground Floor fitout (ongoing) and MHB level 8A/B fitout (on going).

During the financial year ended 30 June 2018 MML paid $5.8m (includes amount of $707k for MEL fitout) (2017: $12.6m) to major contractors for work completed with the amount payable remaining on these committed contracts amounting to $3.01m at that date.

Mater Medical Research Institute Ltd (MMRI)
MMRI had no commitments at the end of the financial year ended 30 June 2018.

Mater Hospitals' Appeal Limited as trustee for Mater Foundation (MF)
During the financial year, MF has entered into contracts with third parties for the purchase of land and construction of homes for prize homes used in the Mater Prize Home lotteries. Mater Foundation is contracted to pay these third parties on agreed dates and construction contracts are paid by MF according to milestones associated with stage completion. At 30 June 2018, the amount payable by MF for committed contracts was $10.8m (2017:$8.9m).

Holy Cross Laundry Ltd (HCL)
HCL had no commitments at the end of the financial year ended 30 June 2018.

Mater Education Limited (MEL)
MEL had no commitments at the end of the financial year ended 30 June 2018.

Notes to the consolidated financial statements (continued)

18. Contingent liabilities

The details and estimated maximum amounts of the potential contingent liabilities that may become payable are set hereunder. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future economic outflow will be required or the amount is not capable of reliable measurement.

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Guarantees				
Bank undertaking - indemnity guarantee with AGL Sales(QLD)Pty Ltd	-	1,148	-	1,148
Bank undertaking - indemnity guarantee for Mater Education Limited	-	75	-	75
Bank undertaking - indemnity guarantee with Minister of Natural Resources 28 November 2007	140	140	140	140
Bank undertaking - indemnity guarantee with Minister of Natural Resources 20 December 1999	34	34	34	34
Bank undertaking - indemnity guarantee with Minister of Natural Resources 25 October 1999	60	60	60	60
Bank undertaking - indemnity guarantee with Minister of Natural Resources 25 October 1999	480	480	480	480
Bank undertaking - indemnity guarantee for MML & Mylife Medical Group joint venture	44	44	44	44
Bank undertaking - indemnity guarantee with The Trust Company towards lease	51	51	51	51
Bank undertaking - indemnity guarantee with Bieson Pty Ltd towards lease	13	13	13	13
Total estimated contingent liabilities	**822**	**2,045**	**822**	**2,045**

19. Investment using equity method of accounting

Mater Medical Research Institute Ltd (MMRI), a subsidiary of the Mater consolidated group entity has a 25% interest in the Translational Research Institute Trust (TRI), incorporated in Australia, whose principal activities include the provision of clinical and translational research to advance progress from laboratory discovery to application in the community. The voting power of MMRI is 25%.

Notes to the consolidated financial statements (continued)

19. Investment using equity method of accounting (continued)

MML has a 50% interest in Long Drive Queensland (LDQ), a joint venture with MyLife Medical Group Pty Ltd (MyLife). The principal activity of which is the management of the joint lease in Brookwater Medical centre.

Information relating to the joint venture and associate are set out below.

a) Investment in associates	**30 June 2018 $000**	**30 June 2017 $000**
Carrying amount at the beginning of the financial period	77,723	79,697
Share of profit/(loss) from TRI	(1,263)	(1,974)
Carrying amount at the end of the financial period	**76,460**	**77,723**
b) Investment in joint venture		
Carrying amount at the beginning of the financial period	15	52
Capital contribution reduced	-	-
Share of (loss)/profit from LDQ	22	(37)
Carrying amount at the end of the financial period	**37**	**15**
Total investment using equity method of accounting	**76,497**	**77,738**

Company's share of:

2017	**Ownership interest %**	**Assets $000**	**Liabilities $000**	**Revenue $000**	**Expenses $000**	**Profit $000**
TRI	25	85,093	7,370	6,440	8,414	(1,974)
LDQ	50	119	185	299	336	(37)
						(2,011)

Company's share of:

2018	**Ownership interest %**	**Assets $000**	**Liabilities $000**	**Revenue $000**	**Expenses $000**	**Profit $000**
TRI	25	83,692	7,232	7,383	8,646	(1,263)
LDQ	50	117	79	310	288	22
						(1,241)

Notes to the consolidated financial statements (continued)

20. Economic dependence

A significant part of the company involves the operation of licensed private hospitals some of which have contractual obligations to provide public health services. The continuing operation of these hospitals is dependent upon the ongoing financial support of the Queensland Government Health Department. The relationship between the company and Queensland Health is governed by an over-arching Agreement between the entities. The agreement covers the operation and funding of the public services provided by the company. Entitled the "Mater Hospital Funding Agreement" the agreement has an initial term of 20 years commencing on 1 July 2002.

In conjunction with the "Mater Hospital Funding Agreement" there will continue to be yearly Health Service Agreements with Queensland Health which details the funding required to provide the services in accordance with the agreed Clinical Services Plan. These agreements cover the broad objectives of the parties, as well as high level issues such as the privacy status of medical records, property issues, liability and indemnification, quality and performance criteria, and other similar issues.

Notes to the consolidated financial statements (continued)

21. Notes to the statement of cash flows

(a) ***Reconciliation of cash***

	Consolidated entity		Parent entity	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**
Cash and cash equivalents	**37,689**	**53,301**	**21,961**	**37,436**

(b) ***Reconciliation of net surplus to net cash flows from operations***

	Consolidated entity		Parent entity	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**
Net surplus for the financial year	52	(3,250)	3,858	797
Adjustments for:				
Net (gain)/loss on sale of property, plant and equipment	925	1,072	89	970
Net (gain)/loss on sale of investments	(708)	46	-	46
Share of (profit)/loss in investment using the equity method	1,241	2,011	(22)	37
Fair value adjustment to derivatives	(256)	(106)	(256)	(106)
Depreciation and amortisation	44,231	44,504	41,893	42,683
Impairment of assets	184	-	(1,244)	-
Capitalised interest paid	(148)	(268)	(148)	(267)
Net cash from/(used in) operating activities before changes in assets and liabilities	**45,521**	**44,009**	**44,170**	**44,160**
(Increase)/decrease in inventories	204	(834)	264	(571)
(Increase)/decrease in trade and other receivables	(3,703)	13,389	329	14,765
(Increase)/decrease in other assets	3,560	(201)	1,402	(25)
Increase/(decrease) in trade and other payables	8,229	(2,915)	5,971	(2,532)
Increase/(decrease) in unearned income	9,103	(6,385)	9,179	(6,148)
Increase/(decrease) in provisions	3,924	(8,232)	3,860	(8,641)
Net cash from/(used in) operating activities	**66,838**	**38,831**	**65,175**	**41,008**

Notes to the consolidated financial statements (continued)

22. Related party transactions

At the 30 June 2018 the intercompany transactions between MML and other subsidiaries within the Mater group of entities are as below;

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Transactions with owners				
Stewardship payment under the Stewardship Agreement to Mercy Partners	(1,134)	(1,008)	(1,134)	(1,008)
Transactions with subsidiaries				
During the year funds were recovered towards various expenditure incurred on behalf of MMRI	-	-	1,662	1,266
During the year MF conducted fund raising activities on behalf of the Company. Funds were donated to the Company from MF	-	-	4,013	4,896
During the year funds were recovered towards various expenditure incurred on behalf of MEL	-	-	4,131	3,052
During the year laundry & cleaning services provided to the Company by HCL	-	-	(7,813)	(5,658)
Transactions with associates and joint ventures				
Other transactions with LDQ the joint venture between MML and MyLife	22	(24)	22	(24)

Notes to the consolidated financial statements (continued)

22. Related party transactions (continued)

	Consolidated entity		Parent entity	
	2018 $000	2017 $000	2018 $000	2017 $000
Receivables from related party transactions				
Mater Medical Research Institute Ltd	-	-	639	56
Mater Foundation	-	-	585	460
Mater Education Limited	-	-	496	288
Holy Cross Laundry Ltd loan advance	-	-	498	-
Total receivables from related parties	**-**	**-**	**2,218**	**804**
Loan payable to related party transactions				
Holy Cross Laundry Ltd	-	-	865	235
Total loan payable to related parties	**-**	**-**	**865**	**235**
Non current receivables				
Holy Cross Laundry Ltd loan advance	-	-	27,234	26,232
Total non current receivables	**-**	**-**	**27,234**	**26,232**

Related party loan between MML and HCL

At the year ended 30 June 2016, HCL entered into a loan agreement with MML whereby MML transferred the cost of the new Banyo laundry land and buildings $25.2m to HCL. At the same time MML provided HCL with a cash loan of $1m. HCL will incur interest on both these related party loans at a rate equating to the Reserve Bank of Australia (RBA) cash rate plus a margin of 1.75% for the first five years, with the interest rate being renegotiated thereafter. The loan term is 30 years and there is no requirement for principal repayments to occur within the first 5 years however a debt repayment strategy for the capital component of $25.2m is to be presented to MML after three years, with repayments starting after 5 years. The loan is to be secured against the land and improvements at the Holy Cross Laundry site in Banyo.

Durring the year ended 30 June 2018 HCL entered into a loan agreement with MML to set up the Holy Cross Cleaning business. The loan is for $1.5m being fully repaid by 30 June 2021. The loan is interest free until 30 June 2018, after which monthly loan repayments commence. The interest rate is based on the 90 day Bank Bill Swap Bid Rate (BBSY) rate plus a margin of 1.4% is applied.

Notes to the consolidated financial statements (continued)

23. Key management personnel

Key management personnel have been identified as company directors and senior management executives of the Company.

	Consolidated entity		Parent entity	
	2018	**2017**	**2018**	**2017**
	$000	**$000**	**$000**	**$000**
Short-term benefits	5,470	6,140	3,761	5,328
Post-employment benefits	610	718	419	641
Termination benefits	18	49	18	49
Total compensation	**6,098**	**6,907**	**4,198**	**6,018**

24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Subsidiary	**Country of incorporation**	**Equity interest**	
		2018	**2017**
		%	**%**
Mater Medical Research Institute Ltd	Australia	100	100
Mater Hospitals' Appeal Limited	Australia	100	100
Mater Education Limited	Australia	100	100
Holy Cross Laundry Ltd	Australia	100	100

25 Standards issued not yet effective

An assessment has been made on the applicable of Australian Accounting Standards:

AASB 9 - Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement and redefines the requirements for the classification and measurement of financial assets and liabilities. This Standard applies to annual reporting periods beginning on or after 1 January 2018.
Mater Misericordiae Ltd and its subsidiaries are in the process of review and implementation of this standard.

AASB 1058 - Income for Not For Profit clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers. This Standard applies to annual reporting periods beginning on or after 1 January 2019.
Mater Misericordiae Ltd and its subsidiaries are assessing the impact of this standard and will then plan for implementation.

Notes to the consolidated financial statements (continued)

25 Standards issued not yet effective (continued)

AASB 16 - Leases replaces AASB 107 leases and redefines the principles for the recognition, measurement, presentation and disclosure of leases. This Standard applies to annual reporting periods beginning on or after 1 January 2019.
Mater Misericordiae Ltd and its subsidiaries are assessing the impact of this standard and will then plan for implementation.

26. Members guarantee

(a) The company is limited by guarantee. If the company were wound up, the Constitution states that each member is required to contribute a maximum of $10.00 each towards meeting any outstanding obligations of the company. At 30 June 2018 the collective liability of members was $10.00 (2017: $10.00).

(b) At 30 June 2018 the number of members of the company was one (1) (2017: 1).

27. Events after the balance sheet date

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

Directors' declaration

In accordance with a resolution of the directors of MML and its subsidiaries, we state that:

In the directors' opinion:

(a) the financial statements and notes of the company and consolidated group are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

   (i) giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations and the *Australian Charities and Not-for-profits Commission Act 2012*), and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Brian Flannery BE (Mining) **Chairman**	**Mr. Terence Crawford B.Econ, LL.B** **Deputy Chair**
Date: 20 NOVEMBER 2018 Brisbane	Date: 20 NOVEMBER 2018 Brisbane

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Independent Auditor's Report

To the Directors of Mater Misericordiae Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Mater Misericordiae Ltd (the "Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' declaration.

In our opinion, the financial report of Mater Misericordiae Ltd has been prepared 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 2018 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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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 Australian Accounting Standards 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 have 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: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

We communicate with those charged with governance 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner - Audit & Assurance

Brisbane, 20 November 2018