Mater Misericordiae Ltd

and
its subsidiaries

Annual report

for the year ended 30 June 2019

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 2019

Corporate information

ABN 83 096 708 922

Directors

Mr. Francis Sullivan (appointed 17/07/2019) *(Chairman)*
Sr. Sandra Lupi (appointed 02/12/2018)
Ms. Jane Yacopetti (appointed 10/03/2019)
Mrs. Virginia Ryan (appointed 06/09/2019)
Mrs. Jennifer Parker (appointed 06/09/2019)
Mr. Patrick Brady (appointed 06/09/2019)
Mr. Gerard Houlihan (appointed 06/09/2019)
Dr. John Rivers (appointed 06/09/2019)
Mr. Brian Flannery (resigned 02/12/2018) (Chairman retired)
Mr. Peter Pearce (resigned 02/12/2018)
Mr. Terence Crawford (resigned 15/07/2019) (Chairman retired)
Mr. John Reynolds (resigned 06/09/2019)
Sr. Pauline Burke (resigned 02/12/2018)
Professor Catherine Turner (resigned 29/08/2019)
Dr. Mark O'Brien (resigned 06/09/2019)
Dr. Geoffrey Hirst (resigned 06/09/2019)
Ms. Susan Rix (resigned 06/09/2019)

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
National Australia Bank Ltd
Brisbane, Queensland, Australia

Australia and New Zealand Bank Ltd
Brisbane, Queensland, Australia

Archdiocesan Development Fund
Brisbane, Queensland, Australia

Auditor
Grant Thornton Audit Pty Ltd
Brisbane, Queensland, Australia

Grant Thornton Audit Pty Ltd
King George Central
Level 18
145 Ann Street
Brisbane QLD 4000
GPO Box 1008
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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 2019, 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, 18 October 2019

Statement of financial position

	Notes	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Assets					
Current assets					
Cash and cash equivalents	3	32,712	37,689	14,988	21,961
Trade and other receivables	4	69,892	67,771	63,649	61,936
Inventories	5	13,874	13,343	13,562	12,959
Financial assets	6	21,626	15,394	21	21
Other assets	7	17,539	17,900	5,910	5,653
Total current assets		**155,643**	**152,097**	**98,130**	**102,530**
Non-current assets					
Property, plant and equipment	8	749,879	752,378	711,374	713,870
Intangible assets	9	74,835	77,013	73,860	75,581
Investments using the equity method	18	75,024	76,497	(18)	37
Other assets	7	29,291	30,020	132,345	133,074
Loan receivable	21	-	-	27,116	27,234
Total non-current assets		**929,029**	**935,908**	**944,677**	**949,796**
Total assets		**1,084,672**	**1,088,005**	**1,042,807**	**1,052,326**
Liabilities					
Current liabilities					
Trade and other payables	10	94,613	85,205	88,415	80,980
Financial liabilities	6	30,080	128	30,000	30
Unearned income	11	19,415	21,302	15,408	12,281
Provisions	12	117,037	116,182	112,462	111,586
Total current liabilities		**261,145**	**222,817**	**246,285**	**204,877**
Non-current liabilities					
Financial liabilities	6	242	40,183	-	40,000
Unearned income	11	71,374	75,290	71,374	75,290
Provisions	12	40,201	40,489	38,985	39,332
Total non-current liabilities		**111,817**	**155,962**	**110,359**	**154,622**
Total liabilities		**372,962**	**378,779**	**356,644**	**359,499**
Net assets		**711,710**	**709,226**	**686,163**	**692,827**
Equity					
Building Reserve	13	240,478	240,478	240,478	240,478
Financial asset revaluation reserve	13	1,993	1,563	-	-
Capital Contribution	14	27,643	27,643	130,698	130,698
Retained earnings		441,596	439,542	314,987	321,651
Total equity		**711,710**	**709,226**	**686,163**	**692,827**

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 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Revenue					
Rendering of services		901,303	861,237	877,247	840,530
Sale of goods		59,648	52,873	59,648	52,873
Other revenue	2	103,988	101,383	19,236	23,015
Total revenue		**1,064,939**	**1,015,493**	**956,131**	**916,418**
Expenses					
Employee expenses		(679,273)	(634,226)	(636,121)	(593,796)
Pharmaceutical and medical expenses		(164,525)	(157,520)	(164,417)	(157,419)
Property and maintenance expenses		(49,695)	(47,405)	(42,425)	(39,238)
Catering and domestic expenses		(8,674)	(14,929)	(21,980)	(21,890)
Administration expenses		(113,213)	(112,982)	(55,025)	(57,661)
Depreciation and amortisation expense	8, 9	(44,993)	(44,231)	(41,838)	(41,893)
Impairment reversal/(impairment) of assets	8, 9	-	(184)	-	1,244
Finance expenses		(951)	(1,856)	(929)	(1,840)
Other expenses		(88)	(929)	(5)	(89)
Total expenses		**(1,061,412)**	**(1,014,262)**	**(962,740)**	**(912,582)**
Operating surplus/(deficit)		3,527	1,231	(6,609)	3,836
Share of profit/(loss) in associates and joint ventures	18	(1,473)	(1,241)	(55)	22
Net surplus/(deficit) for the financial year		**2,054**	**(10)**	**(6,664)**	**3,858**
Other comprehensive income					
Financial asset revaluation reserve	13	430	855	-	-
Total other comprehensive income		**430**	**855**	**-**	**-**
Total comprehensive income attributable to the owners		**2,484**	**845**	**(6,664)**	**3,858**

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 2017	**240,478**	**708**	**27,643**	**439,552**	**708,381**
Net surplus/(deficit) for the financial year	-	-	-	(10)	(10)
Other comprehensive income	-	855	-	-	855
Total comprehensive income for the year	**-**	**855**	**-**	**(10)**	**845**
Balance at 1 July 2018	**240,478**	**1,563**	**27,643**	**439,542**	**709,226**
Net surplus/(deficit) for the financial year	-	-	-	2,054	2,054
Other comprehensive income	-	430	-	-	430
Total comprehensive income for the year	**-**	**430**	**-**	**2,054**	**2,484**
Balance at 30 June 2019	**240,478**	**1,993**	**27,643**	**441,596**	**711,710**

Parent entity	**Building reserve $000**	**Financial asset revaluation reserve $000**	**Capital contribution $000**	**Retained Earnings $000**	**Total Equity $000**
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 1 July 2018	**240,478**	**-**	**130,698**	**321,651**	**692,827**
Net surplus/(deficit) for the financial year	-	-	-	(6,664)	(6,664)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(6,664)**	**(6,664)**
Balance at 30 June 2019	**240,478**	**-**	**130,698**	**314,987**	**686,163**

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 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Cash flows from operating activities					
Receipts in the course of operations		1,098,092	1,079,480	995,104	980,150
Payments in the course of operations		(1,048,760)	(1,011,054)	(955,649)	(914,080)
Dividends received		382	5	33	5
Interest received		688	667	1,339	1,344
Interest paid		(1,144)	(2,260)	(1,122)	(2,244)
Net cash flows from/(used in) operating activities	20	**49,258**	**66,838**	**39,705**	**65,175**
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(39,887)	(22,568)	(37,234)	(19,151)
Net proceeds/(payments) for assets held for sale		-	2,712	-	-
Net proceeds/(payments) from sale of financial assets		(4,700)	(2,023)	-	(7)
Proceeds on disposal of non-current assets		453	8	438	8
Net cash flows from/(used in) investing activities		**(44,134)**	**(21,871)**	**(36,796)**	**(19,150)**
Cash flows from financing activities					
Repayment of financial liabilities		(10,000)	(60,000)	(10,000)	(60,000)
Finance lease payments		(101)	-	-	-
Borrowings to related parties		-	-	(380)	(1,500)
Distributions to beneficiaries		-	(579)	-	-
Repayments from related parties		-	-	498	-
Net cash flows from/(used in) financing activities		**(10,101)**	**(60,579)**	**(9,882)**	**(61,500)**
Net increase/(decrease) in cash and cash equivalents		(4,977)	(15,612)	(6,973)	(15,475)
Cash and cash equivalents at the beginning of the financial year		37,689	53,301	21,961	37,436
Cash and cash equivalents at the end of the financial year	3	**32,712**	**37,689**	**14,988**	**21,961**

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.*

Mater Misericordiae Limited (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 2019 were authorised for issue on 18 October 2019 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 23 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) 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)

(i) 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.

(j) 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)

(j) 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.

(k) 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)

(k) 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

(l) 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.

(m) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(m) Financial instruments (continued)

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:
• amortised cost
• fair value through profit or loss (FVPL)
• equity instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance expenses or other revenue, except for impairment of trade receivables which is presented within administration expenses.

Classifications are determined by both:
• The entities business model for managing the financial asset
• The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance expenses or other revenue, except for impairment of trade receivables, which is presented within administration expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(m) Financial instruments (continued)

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. One of the subsidiaries, Mater Foundation has made this election in relation to its Macquarie investment classified as financial assets in the statement of financial position, previously under AASB 139 it was classified as available for sale.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(m) Financial instruments (continued)

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include financial liabilities and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance expenses or other revenue.

First time adoption of AASB 9

One of the subsidiairies in the group, Mater Foundation determined that on adoption of AASB 9 the Macquarie portfolio investment would be classified as fair value through other comprehensive income (equity FVOCI). This has been retrospectively applied in the financial statements as required by AASB 9. The retrospective restatement changed realised gains of $62,000 recorded as investment income in the 2018 financial year in the statement of profit and loss to other comprehensive income. This had the effect of changing the group surplus for the 2018 financial year from $52,000 to a loss of $10,000.

The opening balance of the financial asset reserve on 1 July 2017 was also restated to include the total life to date realised gains of $202,000 on the Macquarie investment. Previously the realised gains had been recognised in funds held in trust after flowing through from the statement of profit and loss. This had the effect of changing the opening balance of the financial asset reserve to $708,000 from $506,000 and the opening balance of retained earnings to $439,552,000 from $439,754,000.

Notes to the consolidated financial statements (continued)

1. Statement of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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)

(r) 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.

(s) 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.

(t) 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 2019 and 2018. 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.

(u) 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)

(u) 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 2019. 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 risk margin.

Notes to the consolidated financial statements (continued)

2. Other revenue

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Donations	16,173	13,999	1,360	1,215
Dividend income	1,574	656	33	5
Interest income	703	654	1,339	1,344
Rental income	10,174	10,151	10,872	11,163
Lottery proceeds	54,024	52,401	-	-
Fundraising income	15,889	14,681	-	-
Other revenue	5,451	8,841	5,632	9,288
Total other revenue	**103,988**	**101,383**	**19,236**	**23,015**

3. Cash and cash equivalents

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Cash at bank and in hand	3,423	12,881	298	3,463
Bank at call deposits	28,039	18,518	14,690	18,498
Financial assets at amortised cost	1,250	6,290	-	-
Total cash and cash equivalents	**32,712**	**37,689**	**14,988**	**21,961**

Bank and short term deposits are available on demand. Financial assets at amortised cost are term deposits with a maturity of 3 months or less from 30 June 2019. These are classified as cash and cash equivalents.

Notes to the consolidated financial statements (continued)

4. Trade and other receivables

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Current				
Trade receivables	71,152	69,070	63,442	61,883
Expected credit losses	(2,015)	(1,890)	(2,006)	(1,890)
	69,137	**67,180**	**61,436**	**59,993**
Other receivables	755	591	754	591
Related party receivables	-	-	1,459	1,352
Total trade and other receivables	**69,892**	**67,771**	**63,649**	**61,936**

5. Inventories

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Current				
Pharmaceutical and medical supplies at cost	12,962	12,241	12,696	11,912
Engineering stores at cost	408	463	408	463
Other inventories at cost	504	639	458	584
Total inventories	**13,874**	**13,343**	**13,562**	**12,959**

Notes to the consolidated financial statements (continued)

6. 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 2019 and 30 June 2018.

	Consolidated entity		Parent entity	
	2019	**2018**	**2019**	**2018**
	$000	**$000**	**$000**	**$000**
Financial assets				
Current				
Equity instruments (FVOCI)	21,626	15,394	21	21
Total financial assets	**21,626**	**15,394**	**21**	**21**
Financial liabilities				
Current				
Bank loans	30,000	-	30,000	-
Lease liabilities	80	98	-	-
Interest rate swap contracts	-	30	-	30
Total current liabilities	**30,080**	**128**	**30,000**	**30**
Non-current				
Bank loan - secured	-	40,000	-	40,000
Lease liabilities	242	183	-	-
Total non-current liabilities	**242**	**40,183**	**-**	**40,000**
Total financial liabilities	**30,322**	**40,311**	**30,000**	**40,030**

Notes to the consolidated financial statements (continued)

6. Fair value measurement of financial instruments (continued)

The current loan of $30m with National Australia Bank Ltd (NAB) forms part of the club loan facility MML had in place at 30 June 2019. The $120m Club Loan Facility is in place for a 5 year term, expiring in June 2020, and is split equally across three banking institutions being NAB, Commonwealth Bank of Australia (CBA) and Australia and New Zealand Bank Ltd (ANZ). The assets pledged as security have a carrying value of $122m, which is more than one time but less than two times the total commitment of the loan. From 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%.

Subsequent to year end, on 1 August 2019, MML paid out the club loan facility in full and drew down $30m on a new loan facility with the Archdiocesan Development Fund (ADF). The facility provided by the ADF has a total limit of $80m.

The interest rate swap contracts were initially recognised at fair value in the Statement of Financial Position in accordance with AASB 9 “Financial instruments” 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.

As at 30 June 2019, no liability has been recognised for the fair value of interest rate swaps as all contracts have been settled during the year.

MML has access to the following lines of credit:

	Parent entity	
	2019 **$000**	**2018** **$000**
Total facilities available:		
Bank loans	120,000	120,000
Guarantee facilities	844	822
	120,844	**120,822**
Facilities utilised at balance date:		
Bank loans	30,000	40,000
Guarantee facilities	844	822
	30,844	**40,822**
Facilities not used at balance date:		
Bank loans	90,000	80,000
	90,000	**80,000**

Notes to the consolidated financial statements (continued)

7. Other assets

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Current				
Prepaid land rental	728	728	728	728
Prepayments	16,811	17,172	5,182	4,925
Total current other assets	**17,539**	**17,900**	**5,910**	**5,653**
Non-current				
Investment in subsidiaries	-	-	103,054	103,054
Prepaid land rental	29,291	30,020	29,291	30,020
Total non-current other assets	**29,291**	**30,020**	**132,345**	**133,074**

Prepayments for the consolidated entity includes Mater Foundation work in progress (WIP) which relates to Lottery prize homes in progress of $9,407k (2018: $9,744k).

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Land and buildings:				
At cost	983,101	971,108	947,709	937,102
Accumulated depreciation	(309,817)	(283,318)	(303,427)	(277,601)
Accumulated impairment	(13,549)	(13,549)	(13,549)	(13,549)
	659,735	**674,241**	**630,733**	**645,952**
Plant and equipment:				
At cost	238,837	221,653	212,898	196,471
Accumulated depreciation	(170,305)	(163,488)	(152,860)	(147,574)
	68,532	**58,165**	**60,038**	**48,897**
Capital work in progress:				
At cost	21,612	19,972	20,603	19,021
	21,612	**19,972**	**20,603**	**19,021**
Total property, plant and equipment written down value	**749,879**	**752,378**	**711,374**	**713,870**

Capitalised interest of $164k was taken up in property, plant and equipment in year ended 30 June 2019 (2018: $148k).

Notes to the consolidated financial statements (continued)

8. 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	674,241	58,165	19,972	-	752,378
Additions	3,990	20,337	14,904	164	39,395
Disposals	-	(541)	-	-	(541)
Depreciation charge	(26,499)	(14,854)	-	-	(41,353)
Transfers	8,003	5,425	(13,264)	(164)	-
Carrying amount at 30 June 2019	**659,735**	**68,532**	**21,612**	**-**	**749,879**

Parent entity	Land and buildings $000	Plant and equipment $000	Capital work in progress $000	Capitalised interest $000	Total $000
Opening net book amount	645,952	48,897	19,021	-	713,870
Additions	3,555	18,988	13,895	164	36,602
Disposals	-	(443)	-	-	(443)
Depreciation charge	(25,826)	(12,829)	-	-	(38,655)
Transfers	7,052	5,425	(12,313)	(164)	-
Carrying amount at 30 June 2019	**630,733**	**60,038**	**20,603**	**-**	**711,374**

Notes to the consolidated financial statements (continued)

9. Intangible assets

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Contractual rights				
At cost	70,179	70,179	70,179	70,179
Accumulated amortisation	(2,083)	(1,658)	(2,083)	(1,658)
	68,096	**68,521**	**68,096**	**68,521**
Licenses				
At cost	895	895	641	641
Accumulated amortisation	(313)	(303)	(58)	(54)
	582	**592**	**583**	**587**
Software				
At cost	53,492	52,030	52,768	51,306
Accumulated amortisation	(48,239)	(45,405)	(47,612)	(44,882)
	5,253	**6,625**	**5,156**	**6,424**
Other intangible assets				
At cost	1,744	1,744	171	171
Accumulated amortisation	(840)	(469)	(146)	(122)
	904	**1,275**	**25**	**49**
Total intangibles	**74,835**	**77,013**	**73,860**	**75,581**

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	
	2019 $000	2018 $000	2019 $000	2018 $000
Carrying amount at 1 July 2018	77,013	82,441	75,581	79,763
Additions	1,462	836	1,462	184
Amortisation expense	(3,640)	(4,836)	(3,183)	(4,366)
Impairment charge	-	(1,428)	-	-
Carrying amount at 30 June 2019	**74,835**	**77,013**	**73,860**	**75,581**

Notes to the consolidated financial statements (continued)

9. Intangible assets (continued)

Prior year impairment of intangibles

In March 2018, the CRM Project Governance Committee in consultation with Mater IT and Mater Foundation Directors, reviewed alternatives to the CRM project's scope. This was the result of issues in achieving key milestones and benchmark standards. A Board approved decision was taken to change the project scope and to cease development of an element of the CRM asset. This decision resulted in an impairment of the existing asset totalling $1.4m as shown above.

A review was undertaken in relation to the carrying value of the remaining CRM asset and management have assessed that the replacement cost would exceed the carrying value of this asset as at 30 June 2018.

The project in relation to the operationalisation of of the Master Data Services Layers (capitalised data project costs) was completed in June 2019. As a result, the amortisation for the amounts held commenced in July 2019 over its estimated useful life of 36 months.

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 Queensland Children's Hospital (QCH) car park management rights and the QCH footprint rights held in the Statement of financial position. MML holds the rights to purchase the QCH footprint in 60 years for a nominal amount of $1. The QCH footprint is not subject to amortisation due to the nature of this contractual right. The QCH 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 QCH 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 QCH car park management rights and the QCH footprint are $27.2m and $42.9m respectively. The QCH car park management rights have been amortised from November 2014 when MML began operating this car park, and as at 30 June 2019 the accumulated amortisation for the management rights totals $2.08m. The remaining value for the QCH car park management rights at 30 June 2019 is $25.12m with a remaining expected life of 55 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.

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.

Notes to the consolidated financial statements (continued)

10. Trade and other payables

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Current				
Trade payables	58,836	53,660	55,406	51,428
Other payables and accruals	35,777	31,545	33,009	29,552
Total trade and other payables	**94,613**	**85,205**	**88,415**	**80,980**

11. Unearned income

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Current				
Unearned income	18,296	20,000	15,408	12,281
Committed trust distributions	1,119	1,302	-	-
Total current	**19,415**	**21,302**	**15,408**	**12,281**
Non-current				
Unearned income	71,374	75,290	71,374	75,290
Total non-current	**71,374**	**75,290**	**71,374**	**75,290**
Total unearned income	**90,789**	**96,592**	**86,782**	**87,571**

12. Provisions

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Current				
Employee entitlements	112,187	107,853	107,612	103,257
Provision for leave pay out to QH	510	948	510	948
Medico-legal claims	4,340	7,381	4,340	7,381
Total current provisions	**117,037**	**116,182**	**112,462**	**111,586**

Notes to the consolidated financial statements (continued)

12. Provisions (continued)

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Non-current				
Employee entitlements	21,749	22,968	20,533	21,811
Provision for leave pay out to QH	1,092	1,602	1,092	1,602
Medico-legal claims	17,360	15,919	17,360	15,919
Total non-current provisions	**40,201**	**40,489**	**38,985**	**39,332**
Total provisions	**157,238**	**156,671**	**151,447**	**150,918**

Consolidated entity	Annual leave $000	Long service leave $000	Other employee entitlements $000	Provision for leave payout to QH $000	Medico-legal claims $000	Total $000
Opening balance at 1 July 2018	51,120	66,372	13,329	2,550	23,300	156,671
Additional provisions	49,346	10,497	11,733	-	2,223	73,799
Transfers in/(out)	143	(326)	(213)	-	-	(396)
Amounts used	(47,397)	(10,509)	(10,159)	(948)	(3,823)	(72,836)
Balance at 30 June 2019	**53,212**	**66,034**	**14,690**	**1,602**	**21,700**	**157,238**

Parent entity	Annual leave $000	Long service leave $000	Other employee entitlements $000	Provision for leave payout to QH $000	Medico-legal claims $000	Total $000
Opening balance at 1 July 2018	48,388	63,410	13,270	2,550	23,300	150,918
Additional provisions	46,677	10,160	11,722	-	2,223	70,782
Transfers in/(out)	143	(326)	(213)	-	-	(396)
Amounts used	(44,728)	(10,209)	(10,149)	(948)	(3,823)	(69,857)
Balance at 30 June 2019	**50,480**	**63,035**	**14,630**	**1,602**	**21,700**	**151,447**

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

Notes to the consolidated financial statements (continued)

13. 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 fair value through other comprehensive income (FVOCI).

14. 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.

15. Leasing commitments

Finance lease commitments

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

	Consolidated entity		**Parent entity**	
	2019 $000	**2018 $000**	**2019 $000**	**2018 $000**
Not later than 12 months	94	110	-	-
Between 12 months and 5 years	264	201	-	-
Minimum lease payments	358	311	-	-
Less future finance charges	(36)	(30)	-	-
Total lease liabilities	**322**	**281**	**-**	**-**

Notes to the consolidated financial statements (continued)

15. Leasing commitments (continued)

Operating lease commitments

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

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Payable - minimum lease payments				
Not later than 12 months	14,736	19,079	2,572	4,434
Between 12 months and 5 years	4,043	5,798	2,528	4,670
	18,779	**24,877**	**5,100**	**9,104**
Receivable - minimum lease receivables				
Not later than 12 months	7,373	6,268	7,373	6,268
Between 12 months and 5 years	20,995	20,176	20,995	20,176
Greater than 5 years	53,152	59,634	53,152	59,634
	81,520	**86,078**	**81,520**	**86,078**

Notes to the consolidated financial statements (continued)

16. 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 Mater Private Hospital Air Handling Upgrade (completed July 2018), Mater Private Redlands Chiller Replacement (completed December 2018), Mater Mothers Obstetric Imaging Project (completed February 2019), MHB level 8A/B fitout (completed December 2018), Mater Redlands Day Oncology Expansion (completed April 2019), Relocation Parenting Support Centre (on going), and Potter Building Main Switchboard Replacement (on going).

During the financial year ended 30 June 2019 MML paid $6.1m (2018: $5.8m) to major contractors for work completed with the amount payable remaining on these committed contracts amounting to $0.8m at that date.

Mater Research Ltd (MRL)
MRL had no commitments at the end of the financial year ended 30 June 2019.

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 2019, the amount payable by MF for committed contracts was $9.1m (2018:$10.8m).

Holy Cross Services Ltd (HCS)
HCS had no commitments at the end of the financial year ended 30 June 2019.

Mater Education Limited (MEL)
MEL had no commitments at the end of the financial year ended 30 June 2019.

Notes to the consolidated financial statements (continued)

17. 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	
	2019 $000	2018 $000	2019 $000	2018 $000
Guarantees				
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
Bank undertaking - indemnity guarantee with Shayner Investments Pty Ltd towards lease	11	-	11	-
Bank undertaking - indemnity guarantee with Yamanto SV Pty Ltd towards lease	11	-	11	-
Total estimated contingent liabilities	**844**	**822**	**844**	**822**

Notes to the consolidated financial statements (continued)

18. Investment using equity method of accounting

Mater Research Ltd (MRL), 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 MRL is 25%.

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 2019 $000**	**30 June 2018 $000**
Carrying amount at the beginning of the financial period	76,460	77,723
Share of profit/(loss) from TRI	(1,418)	(1,263)
Carrying amount at the end of the financial period	**75,042**	**76,460**
b) Investment in joint venture		
Carrying amount at the beginning of the financial period	37	15
Share of (loss)/profit from LDQ	(55)	22
Carrying amount at the end of the financial period	**(18)**	**37**
Total investment using equity method of accounting	**75,024**	**76,497**

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)

Company's share of:

2019	**Ownership interest %**	**Assets $000**	**Liabilities $000**	**Revenue $000**	**Expenses $000**	**Profit $000**
TRI	25	82,376	7,334	7,424	8,842	(1,418)
LDQ	50	50	68	251	306	(55)
						(1,473)

Notes to the consolidated financial statements (continued)

19. Economic dependence

A significant part of the group 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.

20. Notes to the statement of cash flows

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

	Consolidated entity		Parent entity	
	2019	2018	2019	2018
	$000	$000	$000	$000
Cash and cash equivalents	**32,712**	**37,689**	**14,988**	**21,961**

Notes to the consolidated financial statements (continued)

20. Notes to the statement of cash flows (continued)

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

	Consolidated entity		Parent entity	
	2019	2018	2019	2018
	$000	$000	$000	$000
Net surplus for the financial year	2,054	(10)	(6,664)	3,858
Adjustments for:				
Net (gain)/loss on sale of property, plant and equipment	88	925	5	89
Net (gain)/loss on sale of investments	-	(708)	-	-
Share of (profit)/loss in investment using the equity method	1,473	1,241	55	(22)
Fair value adjustment to derivatives	(30)	(256)	(30)	(256)
Net investment income	(1,103)	62	-	-
Depreciation and amortisation	44,993	44,231	41,838	41,893
Impairment of assets	-	184	-	(1,244)
Capitalised interest paid	(164)	(148)	(164)	(148)
Net cash from/(used in) operating activities before changes in assets and liabilities	**47,311**	**45,521**	**35,040**	**44,170**
(Increase)/decrease in inventories	(531)	204	(603)	264
(Increase)/decrease in trade and other receivables	(2,121)	(3,703)	(1,713)	329
(Increase)/decrease in other assets	1,090	3,560	471	1,402
Increase/(decrease) in trade and other payables	8,745	8,229	6,770	5,971
Increase/(decrease) in unearned income	(5,803)	9,103	(789)	9,179
Increase/(decrease) in provisions	567	3,924	529	3,860
Net cash from/(used in) operating activities	**49,258**	**66,838**	**39,705**	**65,175**

Notes to the consolidated financial statements (continued)

21. Related party transactions

At the 30 June 2019 the intercompany transactions between MML and other subsidiaries within the Mater group of entities are as below;

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Transactions with owners				
Stewardship payment under the Stewardship Agreement to Mercy Partners	(1,134)	(1,134)	(1,134)	(1,134)
Transactions with subsidiaries				
During the year funds were recovered towards various expenditure incurred on behalf of MRL	-	-	(1,131)	1,662
During the year MF conducted fund raising activities on behalf of the Company. Funds were donated to the Company from MF	-	-	(3)	4,013
During the year funds were recovered towards various expenditure incurred on behalf of MEL	-	-	(106)	4,131
During the year laundry & cleaning services provided to the Company by HCS	-	-	(15,188)	(7,813)
Transactions with associates and joint ventures				
Other transactions with LDQ the joint venture between MML and MyLife	(55)	22	(55)	22

Notes to the consolidated financial statements (continued)

21. Related party transactions (continued)

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Receivables from related party transactions				
Mater Research Ltd	-	-	498	639
Mater Foundation	-	-	727	585
Mater Education Limited	-	-	595	496
Holy Cross Services Ltd	-	-	498	498
Total receivables from related parties	**-**	**-**	**2,318**	**2,218**

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Loan payable to related party transactions				
Holy Cross Services Ltd	-	-	859	865
Total loan payable to related parties	**-**	**-**	**859**	**865**

Non current receivables

	Consolidated entity 2019 $000	Consolidated entity 2018 $000	Parent entity 2019 $000	Parent entity 2018 $000
Holy Cross Services Ltd loan advance	-	-	27,116	27,234
Total non current receivables	**-**	**-**	**27,116**	**27,234**

Related party loan between MML and HCS

At the year ended 30 June 2016, HCS entered into a loan agreement with MML whereby MML transferred the cost of the new Banyo laundry land and buildings $25.2m to HCS. At the same time MML provided HCS with a cash loan of $1m. HCS 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 Services' site in Banyo.

During the year ended 30 June 2018 HCS 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)

21. Related party transactions (continued)

During the current financial year ended 30 June 2019 HCS drew down on an additional loan from MML to fund the capital replacement programme for the laundry plant and equipment. The loan is for a total $1.8m and as at 30 June 2019 the loan was drawn down to $0.4m. The loan is currently interest only until fully drawn down. The interest rate being applied to the loan is based on the 90 day Bank Bill Swap Bid Rate (BBSY) rate plus a margin of 1.4%.

22. Key management personnel

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

	Consolidated entity		Parent entity	
	2019 $000	2018 $000	2019 $000	2018 $000
Short-term benefits	5,154	5,470	3,275	3,761
Post-employment benefits	563	610	343	419
Termination benefits	344	18	344	18
Total compensation	**6,061**	**6,098**	**3,962**	**4,198**

23. 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**	
		2019 %	**2018 %**
Mater Research Ltd (formerly Mater Medical Research Institute Ltd)	Australia	100	100
Mater Hospitals' Appeal Limited	Australia	100	100
Mater Education Limited	Australia	100	100
Holy Cross Services Ltd (formerly Holy Cross Laundry Ltd)	Australia	100	100

Notes to the consolidated financial statements (continued)

24. Standards issued not yet effective

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

AASB 1058 & AASB 15 - Income for Not For Profit and Revenue from Contracts with Customers 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.

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.

25. 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 2019 the collective liability of members was $10.00 (2018: $10.00).

(b) At 30 June 2019 the number of members of the company was one (1) (2018: 1).

26. Events after the balance sheet date

One Mater Project
During the course of the 2018/19 year, Mercy Partners, the Company Member for Mater Misericordiae Limited (MML), announced the commencement of the One Mater Project. This project will provide a single Board of Governance that would unify all health, aged care, education, research and philanthropic services which are currently operated by several entities of which Mercy Partners is the sole member; Mater Misericordiae Limited (South East Queensland), Mater Health Services North Queensland Limited and Mercy Health and Aged Care Central Queensland Limited. Further to this, in July 2019 Mercy Partners announced that Mr Francis Sullivan had been appointed by Mercy Partners as Foundational Executive Chair of this Board with the remainder of the Mater Board being appointed on 6 September 2019.

Mercy Partners have also advised that transition towards a merger of the three Queensland Mater Ministries would proceed with the intention that the merger process be completed from a legal perspective by 1 July 2020. To facilitate this merger Mercy Partners appointed Mr Francis Sullivan to the Board of MML effective from 17 July 2019 and on 6 September 2019 all MML's existing Directors, with the exception of Sr Sandra Lupi, Ms Jane Yacopetti and Mr Francis Sullivan, resigned from the Board and the new MML Directors were appointed.

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 2019 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

Chairman **Director**

Date: 18 October 2019 Date: 18 October 2019

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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 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements 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 Group's financial position as at 30 June 2019 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 Group 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group'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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner - Audit & Assurance

Brisbane, 18th October 2019