MiCare Ltd

ABN 51 072 127 238

Annual Report - 30 June 2019

MiCare Ltd
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on Micare Ltd (the 'Company') for the year ended 30 June 2019.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Ignatius Oostermeyer
Mr Peter Vat
Mr Pleun Van Duyn
Mr Sebastian Reid
Mr Micha Helbig
Ms Loes Westerbeek-Veld
Mr Henry Boegheim
Mr Jos Van de Ven
Ms Petra Neeleman
Mr Henk Mollee (appointed 12/12/2018)
Mr Adrian Scholtes (appointed 01/05/2019)
Mr Glenn Bunney (appointed 01/05/2019)
Mrs Pam Bridges (resigned 30/11/2018)
Ms Susie Bunn (co-option expired 31/10/2018)
Mr Barry Disken (co-option expired 31/10/2018)
Mr Joaquin José Alvarez Moro (resigned 3/12/2018)

Principal activities

During the year the principal continuing activities of the Company consisted of residential aged care services for the aged, with a specific focus on migrant communities; home-based care and support, including veterans; care and support for refugees and asylum seekers; social and wellbeing programs for older people; and administrative and support services that support all of MiCare Ltd's programs and services.

Contributions on winding up

In the event of the MiCare being wound up, ordinary members are required to contribute a maximum of $100 each. Associate members are not required to contribute.

Significant events arising since the end of the reporting period

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s.60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is set out immediately after this directors' report.

Signed in accordance with a resolution of the Company.

On behalf of the directors

Mr Ignatius Oostermeyer
Director

Mr Peter Vat
Director

30 October 2019

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of MiCare 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 MiCare 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 Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 30 October 2019

MiCare Ltd
Contents
30 June 2019

Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Directors' declaration	21
Independent auditor's report to the members of MiCare Ltd	22

MiCare Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	3	48,864,388	44,651,062
Fair value gain of financial assets	7	443,236	-
Expenses			
Finance costs	4	(259,683)	(456,916)
Property expenses		(2,687,962)	(2,423,885)
Recipient care expenses		(5,009,240)	(4,507,676)
Employee benefits expense		(33,244,911)	(29,461,076)
Food expenses		(2,044,074)	(1,835,411)
Depreciation and amortisation expense		(4,056,296)	(3,718,567)
Fair value loss on financial assets	7	-	(1,356)
Other expenses		(4,066,288)	(2,977,220)
Deficit for the year attributable to the members of MiCare Ltd		(2,060,830)	(731,045)
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the members of MiCare Ltd		(2,060,830)	(731,045)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

MiCare Ltd
Statement of financial position
As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	10,949,036	9,569,261
Trade and other receivables	6	1,226,991	562,105
Inventories		33,239	33,240
Total current assets		12,209,266	10,164,606
Non-current assets			
Other financial assets	7	13,731,801	14,540,908
Retirement living assets (investment properties)	8	26,107,357	26,719,827
Property, plant and equipment	9	67,389,709	62,468,749
Intangibles	10	1,240,000	1,240,000
Total non-current assets		108,468,867	104,969,484
Total assets		120,678,133	115,134,090
Liabilities			
Current liabilities			
Trade and other payables	11	97,152,843	85,894,608
Interest bearing liabilities	12	250,000	3,416,450
Employee benefits	13	3,765,151	3,738,844
Total current liabilities		101,167,994	93,049,902
Non-current liabilities			
Interest bearing liabilities	14	4,029,167	4,229,167
Employee benefits	15	426,116	739,335
Total non-current liabilities		4,455,283	4,968,502
Total liabilities		105,623,277	98,018,404
Net assets		15,054,856	17,115,686
Equity			
Other contributed equity		6,348,923	6,348,923
Retained earnings		8,705,933	10,766,763
Total equity		15,054,856	17,115,686

The above statement of financial position should be read in conjunction with the accompanying notes

MiCare Ltd
Statement of changes in equity
For the year ended 30 June 2019

	Other contributed equity $	Retained earnings $	Total equity $
Balance at 1 July 2017	2,057,650	11,497,808	13,555,458
Deficit for the year	-	(731,045)	(731,045)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(731,045)	(731,045)
Acquisition of business (Netherlands Retirement Village of Queensland) for nominal consideration	4,291,273	-	4,291,273
Balance at 30 June 2018	6,348,923	10,766,763	17,115,686

	Other contributed equity $	Retained earnings $	Total equity $
Balance at 1 July 2018	6,348,923	10,766,763	17,115,686
Deficit for the year	-	(2,060,830)	(2,060,830)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(2,060,830)	(2,060,830)
Balance at 30 June 2019	6,348,923	8,705,933	15,054,856

The above statement of changes in equity should be read in conjunction with the accompanying notes

MiCare Ltd
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts in the course of operations		46,284,847	43,233,044
Payments to suppliers and employees		(44,547,370)	(39,806,467)
Interest received		706,094	308,048
Finance costs paid		(259,683)	(456,916)
Net cash from operating activities		2,183,888	3,277,709
Cash flows from investing activities			
Net cash and cash equivalents received from business combinations		-	2,942,823
Payments for investments		1,252,343	(14,542,264)
Payments for investment property	8	(303,940)	(222,747)
Payments for property, plant and equipment	9	(9,100,863)	(4,203,129)
Proceeds from disposal of property, plant and equipment		454,545	66,110
Net cash used in investing activities		(7,697,915)	(15,959,207)
Cash flows from financing activities			
Repayment of borrowings		(3,366,450)	(4,827,786)
ILU entry contributions refunded		(1,236,487)	(2,349,758)
ILU entry contributions received		5,773,150	7,929,564
Accommodation Bonds/Refundable Accommodation Deposits refunded		(10,595,778)	(10,933,167)
Accommodation Bonds/Refundable Accommodation Deposits received		16,319,367	17,403,630
Net cash from financing activities		6,893,802	7,222,483
Net movement in cash and cash equivalents		1,379,775	(5,459,015)
Cash and cash equivalents at the beginning of the financial year		9,569,261	15,028,276
Cash and cash equivalents at the end of the financial year	5	10,949,036	9,569,261

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

The financial statements cover MiCare Ltd as an individual entity. The financial statements are presented in Australian dollars, which is MiCare Ltd's functional and presentation currency.

MiCare Ltd (the 'Company') is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors.

New or amended Accounting Standards and Interpretations adopted

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

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The Company early adopted AASB 9 Financial Instruments in the financial year ended 30 June 2018.

Going concern

The financial report has been prepared on a going concern basis. This anticipates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2019 the Company had a net working capital deficiency, being current assets less current liabilities, of $88,958,728 (2018: $82,885,296) and a net loss after tax of $2,060,830 for the year ended 30 June 2019 (2018: $731,045).

The Directors have considered the performance and position of the Company and consider that the going concern basis is appropriate for the preparation of the financial report due to the following factors:

- Accommodation Bonds/Refundable Accommodation Deposits and ILU Entry Contributions, amounting to $89,888,419 as at 30 June 2019 (2018: $80,917,087) are classified as current liabilities on the basis they are repayable to residents when they leave the facility or unit, which can be at any time. The Directors do not expect the balance of Accommodation Bonds/Refundable Accommodation Deposits and ILU Entry Contributions to reduce significantly on an annual basis as the liabilities relating to residents who depart the facility/unit are generally replaced by Accommodation Bonds/Refundable Accommodation Deposits and ILU Entry Contributions received from new residents. The Accommodation Bonds/Refundable Accommodation Deposits and ILU Entry Contributions liabilities are therefore considered to form a part of the long term funding of the facility/unit;
- The Company recorded operating cash inflows for the year;
- The Company maintains a positive net asset position;
- The Company currently has $13,731,801 in shares in listed entities that are classified as non-current other financial assets as they do not meet the criteria to be classified as current assets. The Directors are of the opinion that a significant portion of these assets are able to be converted to cash at short notice; and
- Further operating cash inflows are forecast for the financial year subsequent to 30 June 2019.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for not-for-profit oriented entities.

Note 1. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Consistency of accounting policies
The accounting policies included in the notes to the financial statements have been consistently applied, unless otherwise stated.

Income tax
As the Company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Impairment of assets
The Company assesses impairment of assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Business combinations
The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date carrying value.

Goodwill, if any, is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date value of any existing equity interest in the acquiree, over the acquisition-date carrying value of identifiable net assets. If the carrying value of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Other contributed equity
Applying paragraph 33 of AASB 3: Business combinations, the carrying value of net assets obtained from business combinations are recognised directly to equity rather than through profit or loss where nominal consideration is transferred. As such other contributed equity represents the carrying value of net assets obtained from business combinations for which nominal consideration is transferred as part of the business combination.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy
The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Bed licences
The Company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether bed licences, accounted for as indefinite life intangible assets, have suffered any impairment, in accordance with the accounting policy stated in notes. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available the Directors consider information from a variety of sources and requires the use of estimation.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

Note 3. Revenue

	2019 $	2018 $
Government grants and subsidies	35,926,593	34,032,787
Resident fees	10,837,820	9,452,490
Bequests, donations & fundraising	153,511	245,788
Other revenue	1,240,370	611,949
Interest income	706,094	308,048
Revenue	48,864,388	44,651,062

Note 3. Revenue (continued)

Accounting policy for revenue recognition
Revenue is recognised at the fair value of consideration received or receivable. Income is recognised as revenue to the extent it is earned. Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes. All revenue is stated net of GST.

Government grants and subsidies
Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Resident fees
Resident fee revenue is recognised only when the Company has a right to be compensated for the services provided.

Resident fees include retentions, deferred management fees and management/service fees. Retentions are derived from residents through draw downs from accommodation bonds received prior to 1 July 2014 at a predetermined rate upon entering a facility. Deferred management fees are derived from residents through drawdowns from resident liabilities at a predetermined rate. Management/service fees are recognised only when the Company has a right to be compensated for the services provided.

Bequests, donations & fundraising
Bequest, donations and fundraising revenues are recognised as revenue when the cash is received. If donations are for a special purpose they may be appropriated to a reserve, such as a specific restricted purpose reserve.

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

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 4. Finance costs

	2019 $	2018 $
Interest expenses	259,683	456,916

Accounting policy for finance costs

Interest expense is recognised on an effective interest rate method in relation to the outstanding financial liability. All other finance costs are recognised as an expense in the period when incurred, if they are not directly attributable to the acquisition, construction or production of a qualifying asset.

Note 5. Current assets - Cash and cash equivalents

.

	2019 $	2018 $
Cash at bank	10,949,036	9,569,261

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

Note 6. Current assets - Trade and other receivables

	2019 $	2018 $
Trade receivables	342,338	300,455
Prepayments	462,457	203,872
Other receivables	422,196	57,778
	1,226,991	562,105

Accounting policy for trade and other receivables
Trade debtors are recognised at original invoice amounts less an allowance for any uncollectible amounts. No interest is charged on trade debtors with the exception of accommodation deposits, as accommodation bonds receivable are charged interest at rates determined by the Government.

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

Note 7. Non-current assets - Other financial assets

	2019 $	2018 $
Shares in listed entities - fair value through profit or loss	13,731,801	14,540,908

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2019 $	2018 $
Opening fair value	14,540,908	14,542,264
Disposals	(1,252,343)	-
Fair value movements	443,236	(1,356)
Closing fair value	13,731,801	14,540,908

Accounting policy for other financial assets
All investments are initially recognised at cost, being the fair value consideration given and including acquisition charges associated with the investment. After initial recognition, investments are measured at fair value using the latest bid price at reporting date. Gains and losses on investments are recognised through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Note 8. Non-current assets - Retirement living assets (investment properties)

	2019 $	2018 $
Investment property - at cost	30,887,275	30,583,335
Less: Accumulated depreciation	(4,779,918)	(3,863,508)
	26,107,357	26,719,827

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2019	2018
Opening fair value	26,719,827	21,819,596
Additions	303,940	222,747
Additions through business combinations	-	5,495,648
Depreciation expense	(916,410)	(818,164)
Closing fair value	26,107,357	26,719,827

Accounting policy for investment properties
Retirement living assets are property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Retirement living assets are carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use.

The depreciable amount of retirement living assets are depreciated on a straight-line basis over their useful lives, being 25 to 40 years, commencing from the time the asset is ready for use. The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. These estimates could change significantly as a result of innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

The Company assesses impairment of retirement living assets at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 9. Non-current assets - Property, plant and equipment

	2019 $	2018 $
Land and buildings - at cost	62,762,202	62,904,996
Less: Accumulated depreciation	(11,883,025)	(10,621,394)
	50,879,177	52,283,602
Plant and equipment - at cost	13,414,773	11,663,472
Less: Accumulated depreciation	(4,998,141)	(3,310,068)
	8,416,632	8,353,404
Motor vehicles - at cost	1,043,263	844,224
Less: Accumulated depreciation	(552,157)	(497,841)
	491,106	346,383
Work in progress	7,602,794	1,485,360
	67,389,709	62,468,749

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land & buildings $	Plant & Equipment $	Motor vehicles $	Work in progress $	Total $
Balance at 1 July 2018	52,283,602	8,353,404	346,383	1,485,360	62,468,749
Additions (net of transfers)	213,006	1,652,143	323,292	6,781,785	8,970,226
Disposals/write-offs	(222,537)	(14,926)	(7,566)	(664,351)	(909,380)
Depreciation expense	(1,394,894)	(1,573,989)	(171,003)	-	(3,139,886)
Balance at 30 June 2019	50,879,177	8,416,632	491,106	7,602,794	67,389,709

Accounting policy for property, plant and equipment
Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use.

The depreciable amount of property, plant and equipment is depreciated on a straight-line over their useful lives, commencing from the time the asset is ready for use. The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for. Land and WIP are not depreciated.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	10-40 years
Motor vehicles	3-4 years
Equipment, furniture & fittings	3-6 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. These estimates could change significantly as a result of innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

Note 9. Non-current assets - Property, plant and equipment (continued)

The Company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 10. Non-current assets - Intangibles

	2019 $	**2018 $**
Bed licences	1,240,000	1,240,000

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Bed licences $	Total $
Balance at 1 July 2018	1,240,000	1,240,000
Balance at 30 June 2019	1,240,000	1,240,000

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Bed licences have been initially recognised at fair value upon issue from the Government which is deemed to represent cost under AASB 138 Intangible Assets and AASB 1004 Contributions. Licences acquired through business acquisition have been recognised at fair value at the time of acquisition.

The entity considers the licences to have an indefinite useful life and as such does not amortise them. The licences are reviewed annually to assess whether there has been any impairment in their value as further explained in impairment of non-financial assets note. Where the balance exceeds the value of the expected future benefits, the difference is charged to profit or loss.

The related intangible asset value is supported through a fair value calculation and no impairment has been recognised (2018: $nil).

Note 11. Current liabilities - Trade and other payables

	2019 $	**2018 $**
Trade payables	1,300,106	1,161,556
Accommodations Bonds/Refundable Accommodation Deposits	55,463,666	49,938,466
ILU Entry Contributions	34,424,753	30,978,621
Deferred revenue	3,654,667	2,630,542
Other payables	2,309,651	1,185,423
	97,152,843	85,894,608

Note 11. Current liabilities - Trade and other payables (continued)

Accounting policy for trade and other payables
Trade and other payables include trade payables, sundry payables and accrual, other payables, deferred revenue and Accommodation Bonds/Refundable Accommodation Deposits and Independent Living Unit ("ILU") Entry Contributions.

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

Deferred revenue
Amounts received which do not meet the recognition criteria as revenue under Accounting Standards and the Company's accounting policies are deferred and shown as a current liability until such time as they are either recognised as revenue or repaid.

Accommodation Bonds/Refundable Accommodation Deposits and ILU Entry Contributions
In accordance with the Aged Care Act 1997, Refundable Accommodation Deposits ("RADs") and Accommodation Bonds may be charged to a resident on entry to an aged care facility. Refundable Accommodation Deposits and Accommodation Bonds are recognised at an amount equal to the proceeds received and are classified as a current liability due to:
- RAD's being repayable on demand and when a resident departs the facility; and
- Accommodation Bonds being repayable when a resident departs the facility.

Periodical amounts (retentions) are retained from Accommodation Bonds received prior to 1 July 2014 in accordance with the Act and recorded as income in the year in which they are retained.

ILU Entry Contributions are the refundable portion of ingoing contributions made in respect of Independent Living Units subject to the Retirement Villages Act in each respective State and Territory of Australia. ILU Entry Contributions are returned to tenants net of deferred management fee (if applicable) upon expiry of the lease or when they vacate the property.

From 1 July 2007, pursuant to the Aged Care Act 1997, interest is paid on accommodation deposits following departure (or death) of a resident. Interest is required to be paid at two different rates:

- at the base interest rate for the period between when the resident leaves the care service or dies and the earlier of the date the deposit balance is refunded or the date the legislated timeframe for the refund of the deposit balance expires; and

- at the maximum permissible interest rate for the period after the end of the legislated time frame (or the time set out in the Formal Agreement) until the deposit or entry contribution is refunded.

Rates are amended quarterly. Base rate varied from 3.0% to 3.75% for the year ended 30 June 2019 and was 3.75% for the year ended 30 June 2018 and maximum permissible rates varied from 4.98% to 5.54% for the year ended 30 June 2019 and from 5.73% to 5.77% for the year ended 30 June 2018.

Note 12. Current liabilities - Interest bearing liabilities

	2019 $	2018 $
Bank loans	-	3,166,450
Federal Government - zero real interest loan	250,000	250,000
	250,000	3,416,450

Note 12. Current liabilities - Interest bearing liabilities (continued)

Accounting policy for interest bearing liabilities
Financial liabilities are initially measured at fair value adjusted by transactions costs, and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on an effective yield basis. The effective interest method calculates amortised cost and allocated interest expense over the relevant period so that the estimated future cash payments are exactly discounted over the expected life of the liability. Financial liabilities required to be settled within the next 12 months from the reporting date are classified as current and all other financial liabilities are classified as non-current.

The bank loans are secured by a fixed and floating charge over all of the present and future rights, properties and undertakings of the Company and registered mortgages over the freehold properties of the Company located at 843 Mt Dandenong Rd Montrose, 722 Mt Dandenong Rd Kilsyth, 1105 Frankston Dandenong Rd Carrum Downs, 736 Mt Dandenong Rd Kilsyth and 741 Mt Dandenong Rd Kilsyth. The bank loan was repaid in full during the financial year.

The Federal Government provided the loan to assist in financing the redevelopment of 62 Collingwood Road, Birkdale (QLD). Interest charges for this loan are fixed to the Australian inflation rate. Principal payments are made monthly.

Note 13. Current liabilities - Employee benefits

	2019 $	2018 $
Employee benefits - annual leave	1,925,553	1,819,453
Employee benefits - long service leave	1,839,598	1,919,391
	3,765,151	3,738,844

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

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

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

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

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

Note 14. Non-current liabilities - Interest bearing liabilities

	2019 $	2018 $
Federal Government - zero real interest loan	4,029,167	4,229,167

Note 15. Non-current liabilities - Employee benefits

	2019 $	2018 $
Employee benefits - long service leave	426,116	739,335

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

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

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

Note 16. Key management personnel disclosures

Compensation
Directors are not paid remuneration by MiCare Ltd and they are not entitled to accrue leave entitlements. The other key management personnel received the following remuneration.

	2019 $	2018 $
Aggregate compensation	1,320,645	830,362

Note 17. Commitments

	2019 $	2018 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	136,399	140,279
One to five years	437,010	246,238
	573,409	386,517

There are no other commitments for expenditure as at 30 June 2019 (2018: $nil)

Note 18. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 16.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from, or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

MiCare Ltd
Directors' declaration
30 June 2019

In the directors' opinion:

- The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and comply with Accounting Standards - Reduced Disclosure Requirements

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

Mr Ignatius Oostermeyer Director	Mr Peter Vat Director

30 October 2019

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of MiCare Ltd

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of MiCare Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial report of MiCare Ltd has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012* (the ACNC Act), including:

a giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance and cash flows for the year then ended; and

b complies with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for qualified opinion

The Company have not recognised identifiable assets acquired and liabilities assumed in a business combination in the prior year at their acquisition-date fair value but have stated them at their acquisition-date carrying amount, which constitutes a departure from Australian Accounting Standards. The Company's records indicate that, had the assets acquired and liabilities assumed from the acquisition of the Netherlands Retirement Village Association of Queensland been recognised at their acquisition-date fair on 1 July 2017, the net assets recognised directly in equity from the business combination, being the identifiable net assets assumed of $24,387,530 less the consideration transferred of $1, would have been $24,387,529, representing a $20,096,257 increase to the amount recognised on 1 July 2017. Accordingly, intangible assets, property, plant and equipment and investment properties would have increased by $8,620,000, $1,194,138 and $10,282,118 respectively on acquisition on 1 July 2017. Consequently, cumulative depreciation since the date of acquisition to 30 June 2019 would have increased by $812,720, represented by a $326,662 increase in depreciation for the year ended 30 June 2019, $486,059 increase in depreciation for the year ended 30 June 2018 and $nil movement in depreciation recognised prior to 1 July 2017.

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 *Corporations Act 2001* and 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 qualified opinion.

Emphasis of Matter – Bed Licences

The Company holds 128 active bed licences which were obtained for $nil consideration. The Directors have not recognised these bed licences. The Company's records indicate that had these licences would have been recognised at a fair value of $2,540,000 as at 30 June 2019. Our report is not modified in respect of this matter.

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

The Directors are responsible for the other information. The other information comprises the information included in the Director's report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 30 October 2019