

ABILITY CENTRE AUSTRALASIA LIMITED
(ABN: 79 057 702 959)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2021

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DIRECTORS' REPORT

for the year ended 30 June 2021

The directors of Ability Centre Australasia Limited ("Ability Centre") present their report on the company and its subsidiaries (the "Group") for the year ended 30 June 2021, as approved at a board meeting held on 5 October 2021.

Directors

The names of the directors in office at any time during or since the end of the year are:

- Justin Scanlan (Chairman)
- Dianne Ritson (Deputy Chairman from 29 October 2020)
- Ken Nylander (Deputy Chairman from 1 July 2020 to 28 October 2020)
- Mino Intini (Treasurer)
- Tony Adcock
- Priya Cooper OAM
- Russell Hardwick
- Gary McGrath (Resigned 28 October 2020)
- Melissa Northcott
- Robert Radley

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

Meetings held and attended whilst in office	Board Meeting		Finance & Audit Committee		Governance & Risk Committee		Customer Experience Committee		Mergers & Acquisitions Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Justin Scanlan	7	7	-	-	-	-	-	-	1	1
Ken Nylander	7	7	-	-	5	5	5	5	1	1
Mino Intini	7	6	12	11	5	3	-	-	1	1
Gary McGrath	3	2	5	3	-	-	-	-	-	-
Priya Cooper	7	6	-	-	5	5	5	5	-	-
Russell Hardwick	7	7	12	12	-	-	-	-	-	-
Melissa Northcott	7	7	6	6	-	-	5	4	-	-
Robert Radley	7	7	-	-	-	-	3	1	1	1
Dianne Ritson	7	7	-	-	5	5	-	-	1	1
Tony Adcock	7	7	9	5	5	3	-	-	1	1

Company Secretary

Darren Cutri

DIRECTORS' REPORT

for the year ended 30 June 2021

Directors Remuneration

Fees paid to Directors are determined each year by the members of the Company in a general meeting. Directors fees paid in the 2020/21 financial year were \$267,648 (\$123,148 payable 30 December 2019 to 30 June 2020), following the approval of Directors remuneration at the 2020 Annual General Meeting.

Review of operations

The Group's operations for the financial year resulted in a surplus of \$5,827,000 (2020: surplus of \$4,397,000).

Principal activities

During the year ended 30 June 2021, the Group was involved in the provision of disability services to a wide range of customers including shared living, respite services, community supports, therapy & health services, employment and assistive technologies.

Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. There was a significant impact on the provision of face to face services across the organisation generating the need for innovative ideas to minimise the impact on our customers. The full effect of COVID-19 remains uncertain however the following outlines the impact on the Group's Financial Statements in the current period:

- The Group was successful in applying for the Australian Government's JobKeeper Subsidy payments becoming eligible in April 2020 with payments being backdated to 30 March 2020. The total amount of subsidy recognised in these financial statements is \$9,146,000 (2020: \$5,859,000);
- The Group initiated strict infection controls across the organisation to ensure the health and wellbeing of all customers, employees and visitors; and
- The Group reviewed its outbreak management protocols in light of the updated legislation and best practice. This was to ensure a high level of compliance and preparation in the event of an outbreak occurring.

Subsequent events

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

Environmental regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends, shares, options and other interests

Ability Centre Australasia Limited's constitution does not permit dividends to be paid and thus no dividends were paid or are recommended to be paid.

Similarly, Ability Centre Australasia Limited is a public company limited by guarantee and does not issue shares, options or other interests in the company. As a consequence, no shares, options or other interests were granted during or since the end of the year and no options were outstanding at the date of this report.

Indemnification and insurance of directors and officers

Directors' and Officers' Liability Insurance is held to cover a director for certain liabilities arising whilst acting as a director of the company. The wording of the policy prohibits disclosure of the nature of these liabilities and the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Legal proceedings

Other than disclosed in note 13 in the financial statements, no person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of these proceedings. The Group was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 7.

DIRECTORS' REPORT

for the year ended 30 June 2021

Signed in accordance with a resolution of the Board of Directors.



Justin Scanlan
Director (Chairman)

5 October 2021



Mino Intini
Director (Treasurer)

DIRECTORS' DECLARATION

for the year ended 30 June 2021

In accordance with a resolution of the directors of Ability Centre Australasia Limited, we state that in the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012* including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors,



Justin Scanlan
Director (Chairman)



Mino Intini
Director (Treasurer)

5 October 2021

Auditor's independence declaration to the directors of Ability Centre Australasia Limited

In relation to our audit of the financial report of Ability Centre Australasia Limited for the financial year ended 30 June 2021, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



J K Newton
Partner
5 October 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2021

Consolidated	Notes	2021 \$'000	2020 \$'000
Revenue	1.1	79,247	74,363
Other income	1.1	10,620	8,641
Cost of materials		(2,232)	(2,406)
Employee benefits expense	1.2	(67,565)	(63,183)
Direct program expense		(2,271)	(3,942)
Administrative expense		(5,610)	(4,875)
Depreciation and amortisation expense		(2,720)	(2,670)
Software intangibles write off		(2,594)	-
Impairment loss	1.4	(524)	-
Property expenses		(401)	(380)
Brokerage expense		(161)	(1,325)
Finance expenses		(68)	(28)
Operating surplus		5,721	4,195
Finance income	1.1	106	202
Surplus before tax from continuing operations		5,827	4,397
Income tax expense	1.3	-	-
Surplus after tax from continuing operations		5,827	4,397

This consolidated statement of profit or loss should be read in conjunction on with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

Consolidated	Notes	2021 \$'000	2020 \$'000
Surplus for the year		5,827	4,397
Other comprehensive income			
<i>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		-	-
Revaluation of land and buildings	6	409	(165)
Other comprehensive income/(deficit) for the year, net of tax		409	(165)
Total comprehensive income for the year, net of tax		6,236	4,232

This consolidated statement of comprehensive income should be read in conjunction on with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

Consolidated	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	2	32,253	24,285
Term deposits		-	1,455
Trade receivables	3	2,351	3,132
Inventories	4	1,225	1,309
Prepayments		527	390
Non-current assets held for sale	11	320	170
Total current assets		36,676	30,741
Non-current assets			
Intangible assets	5	-	2,379
Property, plant and equipment	6	42,661	43,379
Right of use asset	8	633	714
Other financial assets		60	45
Total non-current assets		43,354	46,517
Total assets		80,030	77,258
LIABILITIES			
Current liabilities			
Trade and other payables	7	4,588	5,196
Lease liabilities	8	494	309
Deferred income	9	7,992	10,925
Provision for employee entitlements	10	9,652	9,573
Total current liabilities		22,726	26,003
Non-current liabilities			
Provision for employee entitlements	10	1,389	1,552
Lease liability	8	420	444
Total non-current liabilities		1,809	1,996
Total liabilities		24,535	27,999
Net assets		55,495	49,259
Equity			
Retained surplus		35,020	29,193
Asset revaluation reserve	12	20,475	20,066
Total equity		55,495	49,259

This consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Retained surplus	Asset revaluation reserve	Total equity
Consolidated	\$'000	\$'000	\$'000
At 1 July 2020	29,193	20,066	49,259
Surplus for the period	5,827	-	5,827
Other comprehensive income	-	409	409
Total comprehensive income	5,827	409	6,236
At 30 June 2021	35,020	20,475	55,495
At 1 July 2019	24,796	20,231	45,027
Surplus for the period	4,397		4,397
Other comprehensive deficit	-	(165)	(165)
Total comprehensive income/ (deficit)	4,397	(165)	4,232
At 30 June 2020	29,193	20,066	49,259

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

Consolidated	Notes	2021 \$'000	2020 \$'000
Operating activities			
Employee benefits		(67,434)	(63,270)
Supplies and services		(10,090)	(11,861)
GST payments on purchases		(2,449)	(1,534)
GST payments to taxation authority		(1,028)	(3,783)
User charges and fees		9,284	5,655
Grants and subsidies		65,760	62,928
Jobkeeper subsidy		9,146	5,859
Fundraising		333	866
Interest received		106	250
GST receipts on sales		2,394	4,870
GST receipts from taxation authority		1,080	490
Other receipts		3,069	9,116
Net cash flows from operating activities		10,171	9,586
Investing activities			
Purchase of property, plant and equipment and intangible assets		(2,343)	(2,736)
Investment in term deposits		-	(1,455)
Withdrawal of term deposits		-	1,438
Proceeds from disposal of property, plant and equipment		140	104
Net cash flows used in investing activities		(2,203)	(2,649)
Financing activities			
Net cash flows used in financing activities		-	-
Net increase in cash and cash equivalents		7,968	6,937
Cash and cash equivalents at 1 July		24,285	17,348
Cash and cash equivalents at 30 June	2	32,253	24,285

This consolidated statement should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

About these statements

Ability Centre Australasia Limited ("the Parent") and its subsidiaries (collectively, "the Group") is a not-for-profit entity limited by guarantee, incorporated and domiciled in Australia.

The nature and principal activities of the Group is the provision of accommodation, therapy and health services, respite services, in-home support, employment, assistive technology and equipment and support in the community to children and adults with a disability.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 5 October 2021.

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-Profit Commission Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a not-for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statements for the Group are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements ("AASB – RDRs").

The accounting policies are consistent with those disclosed in the Financial Report 2020, except for the impact of all new and amended standards and interpretations. The adoption of these standards and interpretations did not result in significant changes to the Group's accounting policies, other than as disclosed below.

Currency

The Group's consolidated financial statements are presented in Australian Dollars, which is also the parent company's functional currency.

Rounding

The amounts contained in these financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

Basis of preparation

The financial report has been prepared on a historical cost basis, except for properties classified as property and equipment, which are measured at fair value.

The financial statements comprise the financial results of the Group and its subsidiaries as at 30 June each year. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, were eliminated in full.

The consolidated financial statements provide comparative information in respect of the previous period.

The Board of Directors of Ability Centre Australasia Limited, has resolved that, whilst the issue of control is not entirely clear, The Cerebral Palsy Foundation, Cerebral Palsy Innovation Institute Pty Ltd, The Trustee for the Cerebral Palsy Innovation Institute and Ability Centre Australasia Limited, share common goals and outcomes. The Board decided that, in the interests of providing full and open information to members, the financial statements would be prepared on a consolidated basis.

The Directors have prepared a cash flow statement for the 12 months following the reporting date which demonstrates that the Group will have sufficient funds available to continue as a going concern.

The Group took the decision during the year ended 30 June 2020 to strengthen its working capital by entering into a market rate loan facility (the Facility) of \$5,500,000 together with an overdraft facility

of \$500,000. Drawdowns for the overdraft facility are restricted to 80% of the total amount of NDIS receivables held by the Group. This Facility was extended for an additional 12 months during the financial year 30 June 2021. All drawings made must be repaid in full every 60 days. As at 30 June 2021 the Facility and the overdraft remain undrawn.

Changes in accounting policies and disclosures

Software as a Service

In April 2021, the IFRS Interpretations Committee ("IFRIC") published an agenda decision for configuration and customisation costs incurred related to cloud computing arrangements including Software as a Service ("SaaS"). The Group has considered the final agenda decision and has clarified its accounting policy in respect of SaaS arrangements as follows:

Where the underlying service arrangement includes an intangible asset, costs incurred to configure or customise the underlying software of the cloud computing arrangement are generally considered to be directly attributable costs of preparing the asset for its intended use and are capitalised.

Where the underlying SaaS arrangement is a service agreement, the Group assesses if customisation or configuration costs result in the creation of a resource which is identifiable, and whether the Group has the power to obtain the future economic benefits flowing from the underlying resource, and ability to restrict the access of others to those benefits. In such circumstances, costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. In all other circumstances, costs are recognised as an expense when the supplier provides the services.

Included in the consolidated statement of profit and loss is \$2,594,000 of costs that would previously have been capitalised (under the previous policy). Cash outflows of \$352,000 (2020: \$2,242,000) were included in payments to suppliers and employees in the consolidated statement of cash flows that previously would have been included as payments to acquire intangible assets.

Economic dependency

The financial report was prepared on a going concern basis, which contemplates the continuity of ordinary business activity and the realisation of assets and settlement of liabilities in the normal course of business. In forming this view, the Directors are cognisant of the dependency of the Group on significant grant contributions from the Commonwealth. If those grant contributions were not received, the Group would encounter difficulty in maintaining the current level of services rendered.

Consolidation

The consolidated financial statements comprise of the ultimate parent entity, Ability Centre Australasia Limited, and its controlled entities, which include The Cerebral Palsy Foundation, the Cerebral Palsy Innovation Institute Pty Ltd and The Trustee for the Cerebral Palsy Innovation Institute.

The Board of Directors resolved that the controlled entities of the Group share common goals and outcomes. The Board of Directors considered that, in the interest of providing full and open information to members, the financial statements would be prepared on a consolidated basis.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on a current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Key estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonably based on the most current set of circumstances known to management. Actual results may differ from those judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financials are found in the following notes:

Note 3	Trade Receivables	Page 16
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Note 5	Intangible assets	Page 16
Note 6	Property, plant and equipment	Page 17
Note 8	Leases	Page 18
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Note 10	Provisions	Page 19

Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest rate.

Finance costs comprise interest expense on borrowings, lease liabilities, unwinding of the discount on provisions.

1. Revenue and expenses

1.1 Revenue and other operating income

Consolidated	2021 \$'000	2020 \$'000
Revenue		
Government grants	10,787	41,374
NDIS	60,299	25,603
Sale of goods	3,989	3,977
Rental income	1,418	1,685
Rendering of services	2,754	1,724
	79,247	74,363
Other income		
Donations and bequests	333	866
Jobkeeper claims	9,146	5,859
Client recoveries	183	150
Gain on disposal of plant and equipment	181	105
Other	777	1,661
	10,620	8,641
Finance income		
Interest income	106	202
	106	202

Recognition and measurement

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

• Government grants

The Group's programs are supported by grant contributions from the Commonwealth and State Government.

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

When the grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transfer. Revenue is recognised over time as services are rendered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Group obtains control of the funds, economic benefits are probable and the amount of the grant may be measured reliably. If the grant may be required to be repaid if certain conditions are not satisfied, a provision for unspent grants is recognised at year-end to the extent that those conditions remain unsatisfied.

• Rendering of services

Revenue from the provision of services is recognised on the date of delivery of those services to the care recipient.

• Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the customer at the point that title passes.

• Rental income

Rental income from residential accommodation properties is recognised on a straight-line basis across the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

• Jobkeeper Income

The Group recognises revenue in respect of Jobkeeper on the earlier of the receipt of cash from the Government or when the eligibility criteria attached to the Jobkeeper subsidy payment is met.

• Donations and bequests

Donations collected are recognised as income when the Group gains control, economic benefits are probable and the amount of the donation may be measured reliably.

Bequests are recognised when the legacy is received. Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the Group becomes legally entitled to the shares or the property.

• Interest income

Interest income is recognised on an accrual basis using the effective interest rate method (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial asset.

Revenue from contracts with customers ("AASB 15")

AASB 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled to exchange for transferring goods or services to a customer.

For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

AASB1058 Income of Not-for-Profit Entities

This Standard 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 supersedes all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions. The requirements of this Standard more closely reflect the economic reality of NFP entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity

This Standard applies when a NFP entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard. Upon initial recognition of the asset, this Standard requires the entity to consider whether any other financial statement elements should be recognised. These related amounts are accounted for in accordance with the applicable Australian Accounting Standard.

If the transaction is a transfer of a financial asset to enable an entity to acquire or construct a recognisable nonfinancial asset to be controlled by the entity (i.e. an in-substance acquisition of a non-financial asset), the entity recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. The entity recognises income as it satisfies its obligations under the

transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

1.2 Employee benefits expense

Consolidated	2021 \$'000	2020 \$'000
Wages and salaries	59,985	55,887
Superannuation	5,281	5,217
Employee benefit provisions	1,178	1,240
Workers' compensation insurance	1,121	839
	67,565	63,183

Recognition and measurement

Employee benefits are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of origin.

1.3 Income tax expense

No provision for income taxes was recognised by the Group, which is exempt from income tax under Division 40 of the *Income Tax Assessment Act 1997*.

1.4 Impairment Loss

Consolidated	2021 \$'000	2020 \$'000
Impairment of Right of Use Assets	213	-
Impairment of Property, Plant and Equipment	311	-
	524	-

During the financial year the Group has performed an impairment assessment over its Containers for Change cash generating unit (CGU) as indicators of impairment were identified.

The recoverable amount of the containers for change CGU was nil as at 30 June 2021 and consequently an impairment charge of \$311,000 and \$213,000 respectively has been recognised against property, plant and equipment and right-of-use assets.

The impairment charges are recorded within impairment loss in the consolidated statement of profit or loss.

2. Cash and cash equivalents

Consolidated	2021 \$'000	2020 \$'000
Cash at bank and on hand	31,087	23,283
Short-term deposits	-	-
Restricted cash	1,166	1,002
	32,253	24,285

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are stated at fair value in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

Restricted cash

Restricted cash represents bank accounts held by the Group on behalf of customers.

Collateral

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 13 for further details

3. Trade receivables

Consolidated	2021 \$'000	2020 \$'000
Trade receivables	1,703	2,829
Expected credit loss	(100)	(87)
Other receivables	567	334
Interest receivable	1	1
Indirect taxes receivable	180	55
	2,351	3,132

Recognition and measurement

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses ("ECLs"). The Group applies the simplified approach in calculating ECLs for trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and macroeconomic conditions.

Bad debts are written-off when identified. Subsequent recoveries of bad debts previously written-off are recognised to other income in the consolidated statement of profit or loss.

At 30 June 2021, an expected credit loss was recognised of \$99,619 (2020: \$87,000).

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the product sold or service rendered, settlement terms are 30 days from the date of invoice.

Fair value

The carrying amount of trade and other receivables approximates their fair value.

4. Inventories

Consolidated	2021 \$'000	2020 \$'000
Raw materials	654	870
Work-in-progress	420	282
Finished goods	151	157
	1,225	1,309
Inventories held at cost	1,225	1,309
Inventories held at net realisable value	-	-
	1,225	1,309

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials:** Purchase costs on a weighted average cost basis
- **Finished goods and work-in-progress:** Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity

Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

Key judgement: Net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed by management at least annually.

During 2021, Nil (2020: Nil) was recognised as an expense for inventories carried at net realisable value. Any expenses related to the write down of inventories to net realisable value is recognised in cost of materials.

5. Intangible assets

Consolidated	Work In Progress \$'000	Software \$'000	Total \$'000
At cost			
At 30 June 2020	2,166	744	2,910
Additions	-	-	-
At 30 June 2021	2,166	744	2,910
Amortisation and impairment			
At 30 June 2020	-	(531)	(531)
Amortisation charge for the year	-	-	-
Impairment	(2,166)	(213)	(2,379)
At 30 June 2021	(2,166)	(744)	(2,910)
Net book value			
At 30 June 2020	2,166	213	2,379
At 30 June 2021	-	-	-

Recognition and measurement

Work in progress is stated at cost, net of accumulated impairment, if any. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets are not capitalised and the related expenditure is expensed to profit or loss in the period in which the expenditure is incurred.

Amortisation and de-recognition

Amortisation is calculated on a straight-line basis over the estimated useful lives of the intangible assets as follows:

- **Software:** 3 to 5 years

Gains or losses arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Key judgement: Useful life of depreciable assets

The residual values, useful lives and methods of depreciation of intangible assets are reviewed at each financial year and adjusted prospectively based on the expected utility of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

6. Property, plant and equipment

Consolidated	Freehold land \$'000	Buildings \$'000	Assets under construction \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost or valuation						
At 30 June 2020	15,976	22,388	-	13,431	5,356	57,151
Additions	-	17	489	765	1,083	2,354
Disposals	-	-	-	(22)	(1,025)	(1,047)
Revaluations	1,376	(2,608)	-	-	-	(1,232)
Reclassification to assets held for sale	(220)	(100)	-	-	-	(320)
At 30 June 2021	17,132	19,697	489	14,174	5,414	56,906
Depreciation and impairment						
At 30 June 2020	-	(1,267)	-	(7,735)	(4,770)	(13,772)
Depreciation charge for the year	-	(639)	-	(1,260)	(243)	(2,142)
Disposals	-	-	-	16	323	339
Revaluations	-	1,641	-	-	-	1,641
Impairment	-	-	(77)	(234)	-	(311)
At 30 June 2021	-	(265)	(77)	(9,213)	(4,690)	(14,245)
Net book value						
At 30 June 2020	15,976	21,121	-	5,696	586	43,379
At 30 June 2021	17,132	19,432	412	4,961	724	42,661

Recognition and measurement

Assets under construction are stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment. Repair and maintenance costs are expensed to profit or loss as incurred.

Freehold land and buildings are measured at fair value less accumulated depreciation, if applicable, and impairment losses recognised after the date of revaluation. Valuations are performed triennially to ensure that the carrying amount of the revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. A revaluation decrement is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

Fair value

Management determined that freehold land and buildings constitute a separate class of property, plant and equipment based on the nature, characteristics and risks of the properties.

The fair value of the properties was determined using the market comparable method. At 30 June 2021, all properties were revalued externally in line with the Group's revaluation policy. The remeasured fair values of these all properties were determined based on valuations performed by Cushman & Wakefield, an accredited independent valuer who has valuation experience for similar properties in Australia. All properties were previously revalued in 2018 by Knight Frank LLP.

A net gain from the revaluation of the properties of \$409,000 (2020: \$165,000 net loss) was recognised in Other Comprehensive Income.

Depreciation and derecognition

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

- **Buildings:** 40 years
- **Plant and equipment:** 5 to 10 years
- **Motor vehicles:** 3 to 10 years
- **IT Equipment:** 3 years

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of profit or loss on de-recognition.

Key judgement: Useful life of depreciable assets

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively based on the expected utility of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

7. Trade and other payables

Consolidated	2021 \$'000	2020 \$'000
Trade payables	779	416
Salaries and wages payable	2,131	3,117
Accrued payables	309	29
Indirect taxes payable	196	347
Other current liabilities	7	285
Liabilities relating to restricted cash	1,166	1,002
	4,588	5,196

Recognition and measurement

Trade and other payables are initially measured at fair value and subsequently carried at amortised cost when goods and services are received, whether or not billed to the Group, prior to the end of the reporting period.

Fair value

The carrying amount of trade and other payables approximates their fair value.

8. Leases

AASB 16 Leases

The Group has lease contracts for various items of plant, machinery and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Under the adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short term leases and leases of low value assets.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial recognition. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term
- Excluded the initial direct costs from the measurement of the right of use asset at the date of the initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

- The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Group as a Lessee

The Group has lease contracts for various items for offices and other equipment used in its operations. Offices and other equipment generally have lease terms of between three and five years. The Groups obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options.

The Group also has certain leases with terms of less than 12 months or of low value. The Group applies the 'short term lease' and 'lease of low value assets'.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 3 to 12 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets are also subject to impairment.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2021 \$'000	2020 \$'000
Opening Balance	714	-
Adoption of AASB 16 at 1 July	-	779
Additions	593	239
Depreciation expense	(461)	(304)
Impairment	(213)	-
At 30 June	633	714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Consolidated	2021 \$'000	2020 \$'000
Opening Balance	753	-
Adoption of AASB 16 at 1 July	-	779
Additions	586	233
Accretion of Interest	31	28
Payments	(456)	(287)
Balance at 30 June	914	753
Current	494	309
Non-Current	420	444

9. Deferred income

Consolidated	Deferred income \$'000
At 1 July 2020	10,925
Arising	14,500
Utilised	(9,498)
Refunded*	(7,935)
At 30 June 2021	7,992
Current	7,992
Non-current	-

*Refunded amounts relate to refunds of unspent grants received in advance.

Recognition and measurement

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. Ordinarily, the services are provided or the conditions are satisfied within twelve months of the receipt of the grant.

Where the amount received is in respect of services to be provided over a period that exceeds twelve months after the reporting date or the conditions will only be satisfied more than twelve months after the reporting date, the liability is discounted and presented as non-current in the statement of financial position.

Key judgements: Deferred revenue

Management requires judgement to determine key assumptions used in evaluating whether performance criterion attached to a service arrangement were satisfied and the likelihood that the Commonwealth would request a refund, partially or in full, for unspent grant contributions.

10. Provisions

Consolidated	2021 \$'000	2020 \$'000
Annual leave	5,032	4,407
Long service leave	5,030	5,367
Accrued days off	620	742
Other	359	609
	11,041	11,125

Recognition and measurement

Provision is made for employee benefits accumulated as a result of employee rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long-service leave.

Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the reporting period in which the employees render the related services are recognised as long-term employee benefits.

These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit cost method. Liabilities expected to be wholly settled within one year after the end of the reporting period in which the employees render the related services are classified as short-term benefits and measured at the amount due to be paid.

Key judgments: Long-service leave

Long service leave is measured at the present value of the benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation of future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

Key assumptions when entered into the calculation of the provision for long service leave included:

- Discount rate of 1.31 per cent (2020: 3.22 per cent)
- Expected future increases in salaries and wages of 1.5 per cent (2020: 1.5 per cent).

11. Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A Property has been classified as held for sale as at 30 June 2021, the Directors expect the sale of this property to occur before 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

12. Reserves

Other comprehensive income ("OCI") items, net of tax

The disaggregation of changes in OCI by each type of reserve in equity is set out below:

	Asset revaluation reserve \$'000
As at 30 June 2019	20,231
Revaluation decrement on buildings	(85)
Revaluation decrement on freehold land	(80)
As at 30 June 2020	20,066
Revaluation decrement on buildings	(967)
Revaluation increment on freehold land	1,376
As at 30 June 2021	20,475

13. Commitments

During 2021, \$17,087 (2020: \$72,290) was recognised as an expense for short term leases of rented properties and plant. This cost was recognised in administrative expenses.

For future minimum rentals payable under non-cancellable leases in relation to properties and equipment not yet commenced as at 30 June are as follows:

Consolidated	2021 \$'000
Within one year	460
After one year but not more than five years	1,181
More than five years	4,109
	5,750

Contingent liabilities

Contingent liabilities relate to actual or potential claims of the Group that have arisen in the ordinary course of business, the outcome of which cannot be foreseen at present and for which no amounts are provided for in the statement of financial position.

Contingent liabilities include:

- The Group has issued guarantees related to workers' compensation liabilities.
- At 30 June 2021, the Group had contingent liabilities of \$2,225,000 (2020: \$2,225,000) related to three 50-year lease arrangements with the Housing Authority for the construction of new accommodation facilities. These contingent liabilities will only become payable on breaches of the terms of the agreements.
- Certain claims arising with employees have been made against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider that the outcome of any of these claims will have a materially adverse impact of the financial position of the Group.

Guarantees

At 30 June 2021, the Group provided guarantees of \$186,820 (2020: \$110,000) as security for leased properties. No liability is expected to arise.

14. Members of the Group

The consolidated financial statement of the Group include:

- The Cerebral Palsy Foundation
- The Cerebral Palsy Innovation Institute Pty Ltd
- Trustee for Cerebral Palsy Innovation Institute

On 23 March 2017, the Trustees of The Cerebral Palsy Development Trust ("the Trust") resolved to liquidate the Trust in accordance with the Trust Deed. As at 1 July 2020 the Trust had been wound up and all remaining net assets of the Trust were transferred to Ability Centre Australasia Limited (trust beneficiary).

15. Related party disclosures

Note 14 provides information on the organisational structure of the Group. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Purchases from related parties \$'000	Amounts owed to related parties ¹ \$'000
Other directors' interests	2021	-	-
Other directors' interests	2020	26	-

¹ The amounts are classified as trade payables at Note 7.

Unless otherwise stated, no related party transactions incorporate special terms and conditions and no guarantees were given.

Compensation of key management personnel to the Group

Key management personnel of the Group include the Board of Directors, the Chief Executive Officer and Other Executives.

For the year ended 30 June 2021, \$1,471,316 (2020: \$1,558,304) was recognised as an expense in relation to key management personnel remuneration. \$267,648 (\$123,148 payable 30 December 2019 to 30 June 2020) in director fees were paid to the Board of Directors for the year ended 30 June 2021, following the approval of Directors remuneration at the 2020 Annual General Meeting.

16. Events after the end of the reporting period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

17. Other accounting policies

(a) Summary of other significant accounting policies

Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"), in which case the GST is recognised as part of the revenue or expense item or as part of the cost of acquisition of the asset, as applicable.

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

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

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

(b) New and amended standards and interpretations

Other Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the period ended 30 June 2021 are outlined below: The Group does not intend to early adopt any of these

Conceptual Framework for Financial Reporting AASB 2019-1 Amendments to AASs – References to the Conceptual Framework - Effective for annual reporting periods beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:

- Assist in the development of accounting standards;
- Help preparers develop consistent accounting policies where there is no applicable standard in place; and
- Assist all stakeholders to understand the standards better.

The Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The application of the Conceptual Framework is at present limited to for-profit entities. On the other hand, the Framework for the Preparation and Presentation of Financial Statements (July 2004) (Framework) will continue to apply to not-for-profit entities.

The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Two exemptions to the application of the Conceptual Framework were provided:

- When developing accounting policies for regulatory account balances using the previous Framework.

Requiring entities to continue applying the previous Framework when developing or revising accounting policies for regulatory account balances prevents unhelpful and unnecessary disruption for both preparers and users. It avoids revising accounting policies for regulatory account balances twice within a short time frame – once for the revised Conceptual Framework and again when a revised standard on rate-regulated activities is issued.

- When applying AASB 3, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the previous Framework, and not the definitions in the revised Conceptual Framework.

In some cases, applying the revised definitions might change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate de-recognition of such assets or liabilities, causing 'day 2 gains or losses' to arise, which do not depict economic gains or losses. The IASB has since assessed how IFRS 3 can be updated for the revised definitions, without these unintended consequences.

AASB 2018-7 Amendments to AASs –Definition of Material Effective for annual reporting periods beginning on or after 1 January 2020

The amendments align the definition of 'material' across AASB 101 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the Definition. The new definition states that, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are applied prospectively

AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework Effective for annual reporting periods beginning on or after 1 January 2022

The IASB's assessment of applying the revised definitions of assets and liabilities in the Conceptual Framework to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21.

The AASB released the equivalent amendments to AASB 3 in June 2020. These amendments are applied prospectively. Earlier application is permitted

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for the year ended 30 June 2021

AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current - Effective for annual reporting periods beginning on or after 1 January 2023

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. These amendments are applied retrospectively. Earlier application is permitted.

AASB 2021-28 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements⁹ – Disclosure of Accounting Policies - Effective for annual reporting periods beginning on or after 1 January 2023

The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards

The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information. Earlier application of the amendments is permitted.

AASB 1060 General Purpose Financial Statements – Simplified Disclosures For- Profit and Not-for-Profit Tier 2 Entities

AASB 2020-2 Amendments to AASs – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities AASB 2021-1 Amendments to AASs – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities Effective for annual reporting periods beginning on or after 1 July 2021

To reduce the cost of preparing general purpose financial statements while maintaining their usefulness, certain entities¹⁵ are permitted to apply reduced disclosure requirements. Those requirements are currently identified in each applicable Australian Accounting Standard.

The AASB developed AASB 1060, a new simplified disclosure standard based on IFRS for Small and Medium-sized Entities, to replace the reduced disclosure requirements. These simplified disclosure requirements are now collated in a single disclosure standard.

Furthermore, changes were introduced such that the concept of special purpose financial statements has been removed for certain for-profit entities. Consequently, such entities previously not required to prepare general purpose financial statements will be required to do so. AASB 2020-2 makes consequential amendments to existing Australian Accounting Standards to emphasise this new requirement for the preparation of general purpose financial statements.

Certain transition reliefs are available to qualified entities that choose to early adopt the simplified disclosure requirements.

AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates Effective for annual reporting periods beginning on or after 1 January 2023

An accounting policy may require items in the financial statements to be measured using information that is either directly observable, or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

For example, a change in a valuation technique used to measure the fair value of an investment property from market approach to income approach would be treated as a change in estimate rather than a change in accounting policy.

In contrast, a change in an underlying measurement objective, such as changing the measurement basis of investment property from cost to fair value, would be treated as a change in accounting policy.

The amendments did not change the existing treatment for a situation where it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate. In such a case, the change is accounted for as a change in an accounting estimate. The amendments are applied prospectively. Earlier application is permitted.

Independent auditor's report to the members of Ability Centre Australasia Limited

Opinion

We have audited the financial report of Ability Centre Australasia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards - Reduced Disclosure Requirements and 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 relating 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.

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.

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Ernst & Young



J K Newton
Partner
Perth
5 October 2021