Minda Group

ABN 37 020 000 711

Annual Report - 30 June 2023

Minda Group
Directors' Report
30 June 2023

The Board Members present their report on the Financial Statements of Minda Group for the year ended 30 June 2023. The following persons held office as Board Members during the reporting year and up to the date of signing this report:

J Denley
M Barredo (resigned 5 June 2023)
A Ford
K Gallasch
D Gobbett
D Holst (appointed 24 November 2022)
P Krieg
M Richardson
D Wright

Principal Activities
Minda Group is a not-for-profit provider of services and support to enable people living with an intellectual disability to help reach their personal goals and live their best lives. Minda Group is registered with the Australian Charities and Not-for-Profits Commission (ACNC).

As an advocate for people living with an intellectual disability and the state's largest not-for-profit provider of disability services, we offer supported independent living accommodation and stimulate continuous personal growth and development through supported employment and multiple community engagement options as well as respite and wellness services.

As a values-driven not for profit organisation, we are passionate about achieving greater outcomes and creating more meaningful experiences for all our clients.

Minda Group provides housing, support and services to over 1180 clients across South Australia. Minda Group services are provided by a team of over 2,000 staff with a wide range of skills, who embrace our values of respect, heart, opportunity and community in the delivery of services. The team includes disability support workers, client service managers, health professionals, maintenance officers and tradespersons, customer service staff, administrators and supported employees. Minda is also privileged to be supported by numerous volunteers who give their time freely to help clients.

Significant Changes
No significant changes in the nature of these activities occurred during the year.

Operating Result
Minda Group has achieved a total comprehensive income of $7.9M, improved by $20.1M compared to prior year, resulting from the net change in fair value of land and building by $12.6M and improvement in the operating results by $5.2M. Minda Group's operating cash flow has also improved to $8.3M from a deficit cash operating of $10.7M. Minda Group has a strong balance sheet with net assets of $98.6M (prior year $90.7M).

On behalf of the directors

Director

29 September 2023

Director

Minda Group
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30 June 2023

Minda Group
Statement Of Profit Or Loss And Other Comprehensive Income
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Operating revenue			
Revenue recognised from contracts with customers	3	156,626	158,762
Other revenue	4	3,309	5,813
Changes in fair value of investment properties and resident loans	5	(1,766)	9,321
		158,169	173,896
Total operating revenue		**158,169**	**173,896**
Operating expenses			
Employee expenses	6	(137,304)	(146,615)
Other expenses	7	(26,015)	(37,753)
Total operating expenses		**(163,319)**	**(184,368)**
Deficit from continuing operations		**(5,150)**	**(10,472)**
Deficit from discontinued operations	8	(494)	(337)
Deficit for the year		**(5,644)**	**(10,809)**
Other comprehensive income			
Net change in fair value of financial assets	11	989	(1,423)
Net change in fair value of land and buildings	14	12,565	-
Other comprehensive income for the year		13,554	(1,423)
Total comprehensive income for the year		**7,910**	**(12,232)**
Total comprehensive income for the year is attributable to:			
Continuing operations		8,404	(11,895)
Discontinued operations	8	(494)	(337)
		7,910	**(12,232)**

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

Minda Group
Statement Of Financial Position
As at 30 June 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents	9	5,336	4,422
Trade and other receivables	10	7,476	11,701
Financial assets	11	14,047	14,434
Inventories	12	211	401
Net assets classified as held for sale	13	4,291	3,384
Property, plant and equipment	14	90,848	98,300
Investment properties	15	134,393	113,859
Right-of-use assets	16	8,704	10,594
Total assets		**265,306**	**257,095**
Liabilities			
Trade and other payables	17	11,876	10,780
Liabilities directly associated with assets classified as held for sale	13	4,444	3,374
Employee benefits	18	21,547	20,225
Provisions	19	1,440	1,863
Borrowings	20	19,363	23,293
Deferred revenue	21	21,726	18,642
Residents loans	22	76,035	76,219
Lease liabilities	23	10,255	11,989
Total liabilities		**166,686**	**166,385**
Net assets		**98,620**	**90,710**
Equity			
Reserves		16,053	2,499
Retained earnings		82,567	88,211
Total equity		**98,620**	**90,710**

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

Minda Group
Statement Of Changes In Equity
For the year ended 30 June 2023

	Share Revaluation Reserve $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2021	3,922	-	99,020	102,942
Deficit for the year	-	-	(10,809)	(10,809)
Other comprehensive income for the year	(1,423)	-	-	(1,423)
Total comprehensive income for the year	(1,423)	-	(10,809)	(12,232)
Balance at 30 June 2022	**2,499**	**-**	**88,211**	**90,710**

	Share Revaluation Reserve $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2022	2,499	-	88,211	90,710
Deficit for the year	-	-	(5,644)	(5,644)
Other comprehensive income for the year	989	12,565	-	13,554
Total comprehensive income for the year	989	12,565	(5,644)	7,910
Balance at 30 June 2023	**3,488**	**12,565**	**82,567**	**98,620**

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

Minda Group
Statement Of Cash Flows
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		184,792	180,171
Payments to suppliers and employees		(172,533)	(188,188)
Investment income received		3	257
Finance costs		(1,008)	(449)
GST paid		(2,982)	(2,471)
Net cash from/(used in) operating activities		**8,272**	**(10,680)**
Cash flows from investing activities			
Payments for property, plant and equipment	14	(2,919)	(1,241)
Proceeds from disposal of property, plant and equipment		42	2,136
Proceeds from sale of land held for resale		349	156
Proceeds from financial investments		1,909	12,768
Net cash from/(used in) investing activities		**(619)**	**13,819**
Cash flows from financing activities			
Proceeds from borrowings		8,000	12,420
Proceeds from residents loans		2,010	16,363
Repayment of borrowings		(12,382)	(26,031)
Repayments of residents loans		(1,100)	(2,090)
Repayment of lease liabilities		(3,267)	(2,881)
Net cash used in financing activities		**(6,739)**	**(2,219)**
Net increase in cash and cash equivalents		914	920
Cash and cash equivalents at the beginning of the financial year		4,422	3,502
Cash and cash equivalents at the end of the financial year	9	**5,336**	**4,422**

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.

New or amended Accounting Standards and Interpretations adopted
The Minda Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

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

Principles of consolidation
Minda and controlled entities together are referred to in these financial statements as "Minda Group".

Controlled entities are all those entities over which the Minda Group has control. The Minda Group controls an entity when the consolidated group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Minda Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Minda Group.

The acquisition of controlled entities is accounted for using the acquisition method of accounting.

Basis of preparation
These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the AASB, the ACNC Act 2012 and associated regulations, as appropriate for not-for profit oriented entities.

The Board has taken the view that in complying with the requirements of the AASBs, the treatment of Retirement Village residents' contributions as current liabilities does not reflect the true liquidity of the entity as a proportion of these liabilities are not likely to be repaid within 12 months. Accordingly, the Board has chosen to present it's statement for financial position under the liquidity presentation method (AASB 101 Presentation of Financial Statements) on the basis that it represents a more reliable and relevant view.

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 Minda Group'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 2.

Note 1. Significant accounting policies (continued)

Revenue recognition
The Minda Group recognises revenue as follows:

Revenue from Government and National Disability Insurance Scheme
AASB 1058 requires that in cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction should be accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied, as opposed to immediate income recognition under AASB 1058.

Minda Group has conducted an analysis of its government funding and contracts and the National Disability Insurance Scheme and analysed the terms of each contract to determine whether the arrangement meets the enforceability and the 'sufficiently specific' criteria under AASB 15. For those grant contracts that are not enforceable or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058. Income will be deferred under AASB 15 otherwise and recognised when (or as) the performance obligations are satisfied.

Revenue from commercial operations
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Revenue from services provided
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Residential rent
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Deferred Management Fee
Deferred management fees are recognised using an actuarial approach taking into account the expected length of stay per resident discounted to present value and recognised over time.

Income tax
As the Minda Group 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.

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Note 1. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Minda Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Minda Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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

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

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.

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.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand dollars.

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.

Assets held for sale
The commitment of the sales of four commercial operations is in the value of the assets held for sale. This is a critical estimate and has been measured in accordance with Note 1 - Non-current assets or disposal groups classified as held for sale and value in Note 13.

Financial Assets
The value of financial assets is a critical estimate and has been measured in accordance with Note 1 - Investments and other financial assets and value in Note 11.

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

Investment Properties
The value of the investment properties and retirement village residents interest (resident loans) is a critical estimate and is valued independently every three years in accordance with Note 15.

Impairment of property, plant and equipment
Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Minda Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Minda Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Minda Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3. Revenue recognised from contracts with customers

	2023 $'000	2022 $'000
Revenue from Government and the National Disability Insurance Scheme	140,704	135,929
Revenue from commercial operations	7,594	14,654
Revenue from services provided	3,243	3,281
Residential rent	2,857	2,851
Deferred management fee	2,228	2,047
	156,626	**158,762**

Note 4. Other revenue

Bequests and fundraising	878	840
Land sales income	881	436
Investment revenue	678	1,283
Changes in fair value of financial assets at fair value	107	106
Other income	765	3,148
	3,309	**5,813**

Note 5. Changes in fair value of investment properties and resident loans

Change in fair value of Resident Loans	(4,140)	(3,521)
Change in fair value of Retirement Investment Property	2,374	12,842
	(1,766)	**9,321**

Note 6. Employee expenses

	2023 $'000	2022 $'000
Salary and wages	123,376	131,793
Superannuation	12,351	12,377
Workers compensation	1,577	2,445
	137,304	**146,615**

Note 7. Other expenses

Administration expenses	10,014	13,521
Cost of goods sold	1,952	3,676
Depreciation excluding leased assets	3,611	3,673
Depreciation on leased assets	1,908	2,701
Impairment of goodwill	-	5,028
Interest expense excluding leased assets	925	583
Interest expense on leased assets	501	416
Investment expenses	63	112
Land sales expenses	780	281
Landlord expenses	4,007	4,237
Services provided	2,254	3,525
	26,015	**37,753**

Note 8. Discontinued operations

Financial performance information

Revenue recognised from contracts with customers	18,280	8,237
Other revenue	31	-
Total revenue	**18,311**	**8,237**
Employee expenses	(10,895)	(5,360)
Other expenditure	(7,910)	(3,214)
Total expenses	**(18,805)**	**(8,574)**
Deficit from discontinued operations	**(494)**	**(337)**

Accounting policy for discontinued operations
A discontinued operation is a component of the Minda Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 9. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank	4,149	3,277
Bank guarantee deposit	1,187	1,145
	5,336	**4,422**

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

Minda Group holds money on trust of $506K, which is included in cash at bank in Note 9 and in other creditors in Note 17. The purpose of this money on trust is for a specific client and only to be used by Minda Group in line with the covering deed of arrangement.

Note 10. Trade and other receivables

Trade receivables	5,196	5,196
Accrued income	1,384	6,004
Other debtors	1,382	1,322
Less: Allowance for expected credit losses	(486)	(821)
	7,476	**11,701**

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Minda Group 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 11. Financial assets

	2023 $'000	2022 $'000
Cash in managed investments	362	1,993
Financial assets at fair value through other comprehensive income	10,465	9,235
Financial assets at fair value through profit or loss	3,220	3,206
	14,047	**14,434**

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

	2023 $'000	2022 $'000
Opening carrying amount	14,434	27,774
Withdrawals	(1,909)	(12,768)
Net income reinvested	426	957
Net change in fair value	989	(1,423)
Net change in fair value reclassified to profit or loss	107	(106)
Closing carrying amount	**14,047**	**14,434**
Expected to be liquidated within 12 months	-	3
Expected to be liquidated after 12 months	14,047	14,431
	14,047	**14,434**

Note 12. Inventories

Stock on hand	**211**	**401**

Accounting policy for inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 13. Net assets classified as held for sale

Assets classified as held for sale	2023 $'000	2022 $'000
Commercial operations	2,644	2,200
Right of use asset	1,647	1,184
	4,291	**3,384**

Liabilities directly associated with assets classified as held for sale		
Employee provisions	821	-
Interest bearing liabilities	1,677	2,129
Lease liabilities of commercial operations	1,946	1,245
	4,444	3,374

Net (liabilities)/assets associated with assets held for sale	**(153)**	**10**

Note 14. Property, plant and equipment

	2023 $'000	2022 $'000
Land and buildings - at cost	103,210	108,908
Less: Accumulated depreciation	(16,373)	(16,463)
	86,837	**92,445**
Plant and equipment - at cost	14,987	19,036
Less: Accumulated depreciation	(11,669)	(13,899)
	3,318	**5,137**
Motor vehicles - at cost	3,459	3,881
Less: Accumulated depreciation	(3,151)	(3,220)
	308	**661**
Work in progress - at cost	**385**	**57**
	90,848	**98,300**

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

	Land & Buildings $'000	Plant & Equipment $'000	Motor Vehicles $'000	WIP $'000	Total $'000
Balance at 1 July 2022	92,445	5,137	661	57	98,300
Additions	-	-	-	2,919	2,919
Transfers from WIP	2,098	484	-	(2,582)	-
Reclassified to held for sale	(3)	(441)	-	(9)	(453)
Revaluations	12,654	(89)	-	-	12,565
Reclassified to investment properties	(18,160)	-	-	-	(18,160)
Disposals	(160)	(342)	(60)	-	(562)
Transfer between assets	(85)	85	-	-	-
Depreciation excluding held for sale	(1,952)	(1,384)	(275)	-	(3,611)
Depreciation held for sale assets	-	(132)	(18)	-	(150)
Balance at 30 June 2023	**86,837**	**3,318**	**308**	**385**	**90,848**

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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	50 years
Plant and equipment	3-10 years
Motor vehicles	7 years
Information technology	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Note 14. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Minda Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 15. Investment properties

	2023 $'000	2022 $'000
Retirement Investment Property	116,233	113,859
Investment Properties	18,160	-
	134,393	**113,859**

	Retirement Investment Property $'000	Investment Properties $'000	Total $'000
Balance at 1 July 2022	113,859	-	113,859
Reclassified from property, plant and equipment	-	18,160	18,160
Change in fair value to profit or loss	2,374	-	2,374
Closing balance at 30 June 2023	**116,233**	**18,160**	**134,393**
Carrying amount			
Less:			
Residents' loans	(76,035)	-	(76,035)
Deferred revenue	(21,726)	-	(21,726)
Valuation	**18,472**	**18,160**	**36,632**

Investment properties
Investment properties principally comprises of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Minda Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss. Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment is used as deemed cost for the subsequent accounting period. During the current financial year, management determined certain owner-occupied properties held at cost were to be reclassified as investment properties at fair value.

The investment properties are revalued annually by management and every three years based on independent assessments. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. Investment properties (excluding the retirement village) were independently valued in July 2023 by Knight Frank in accordance with accounting standards.

The retirement village was independently valued in November 2021 using a discounted cash flow model. In line with Minda Group's accounting policy, the next independent valuation is due for financial year end 2025. For the current year, management has performed a fair value assessment using the following key assumptions:

Note 15. Investment properties (continued)

	2023	2022
WACC	12.5%	13.0%
Average tenure	11 years	14 years
Inflation rate	3.0%	3.0%
Average capital growth	4.0%	3.0%

Based on the director's judgements on financial year 2023 internal valuation, the average tenure has reduced from 14 years to 11 years, to be in line with the industry benchmark for South Australia.

Note 16. Right-of-use assets

	2023 $'000	2022 $'000
Right-of-use asset	13,097	15,338
Less: Accumulated depreciation	(4,393)	(4,744)
	8,704	**10,594**

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

	Property $'000	IT $'000	Vehicles $'000	Total $'000
Balance at 1 July 2022	10,450	46	98	10,594
Additions	1,503	100	75	1,678
Reclassified as held for sale	(463)	-	-	(463)
Depreciation expense excluding held for sale	(1,810)	(40)	(58)	(1,908)
Depreciation expense held for sale	(1,188)	(9)	-	(1,197)
Balance at 30 June 2023	**8,492**	**97**	**115**	**8,704**

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Minda Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Minda Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 17. Trade and other payables

	2023 $'000	2022 $'000
Trade payables	2,646	2,566
Accrued expenses	6,780	6,018
Income in advance	1,272	1,511
Other creditors	1,178	685
	11,876	**10,780**

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Minda Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 18. Employee benefits

Annual leave	13,954	13,099
Long service leave	7,593	7,126
	21,547	**20,225**

Expected to be paid within 12 months		
Annual leave	10,631	9,545
Long service leave	5,785	5,484
	16,416	**15,029**
Expected to be paid after 12 months		
Annual leave	3,323	3,554
Long service leave	1,808	1,642
	5,131	**5,196**
	21,547	**20,225**

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Accounting policy for other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Provisions

	2023 $'000	2022 $'000
Workers compensation	**1,440**	**1,863**
Expected to be paid within 12 months	546	801
Expected to be paid after 12 months	894	1,062
	1,440	**1,863**

Accounting policy for provisions
Provisions are recognised when the Minda Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Minda Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is calculated by an actuarial annually to quantify Minda Inc's liability for known cases and an estimate of the liability for cases incurred but not yet known. Other members of the group are insured through Return to Work SA and recognises the cost of workers compensation insurance when incurred.

Note 20. Borrowings

Commercial loan - secured	27	34
Bank loan - secured (working capital facility)	19,336	22,245
Bank loan - secured (held against retirement village assets)	-	1,014
	19,363	**23,293**
Expected to be paid within 12 months		
Commercial loan - secured	8	8
Bank loan - secured (working capital facility)	-	22,245
Bank loan - secured (held against retirement village assets)	-	1,014
	8	**23,267**
Expected to be paid after 12 months		
Commercial loan - secured	19	26
Bank loan - secured (working capital facility)	19,336	-
	19,355	**26**
	19,363	**23,293**

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Minda Group has a $26M bank loan facility in place for ongoing working capital and capital expenditure requirements. In 2022 the loan facility was disclosed as falling due within 12 months. A varied facility deed was entered into on 18 May 2023 with a term date ending on 31 October 2024. The loan facility is therefore disclosed as being expected to be paid after 12 months. The Board remains confident that Minda is able to meet the obligations to the bank within the varied facility deed.

Minda Group also has access to a $3M commercial overdraft that had a nil balance at 30 June 2023 and 30 June 2022. These loans and commercial overdraft are secured by a first mortgage over freehold land and buildings.

Note 21. Deferred revenue

	2023 $'000	2022 $'000
Provision for unearned income	16,296	14,443
Capital replacement fund	5,430	4,199
	21,726	**18,642**

Note 22. Residents loans

	2023 $'000	2022 $'000
Residents loans	**76,035**	**76,219**

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

	2023 $'000	2022 $'000
Opening balance	76,219	64,699
Net cash receipts	910	14,273
Contractual deferred management fee	(3,888)	(4,590)
Capital replacement fund	(1,231)	(1,175)
Marketing	(115)	(509)
Fair value movement	4,140	3,521
Closing balance	**76,035**	**76,219**

Note 23. Lease liabilities

	2023 $'000	2022 $'000
Lease liabilities	**10,255**	**11,989**
Expected to be paid within 12 months	1,258	2,451
Expected to be paid after 12 months	8,997	9,538
	10,255	**11,989**

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Minda Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Minda Group is set out below:

	2023 $'000	2022 $'000
Aggregate compensation	2,297	2,002

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd Audit (SA) Pty Ltd, the auditor of the Minda Group:

Audit services - HLB Mann Judd Audit (SA) Pty Ltd		
Audit of the financial statements	169	49

Note 26. Related party transactions

Parent entity
Minda Group is the parent entity. Group members include:

Minda Incorporated: 37 020 000 711
Minda Community Housing Association Incorporated: 65 079 135 394 (deregistered 17 March 2022)
Minda Housing Limited: 49 622 248 908
Repack Pty Ltd: 98 169 124 145
SA Group Enterprises Incorporated: 40 005 498 775
Wine Storage & Logistics Ltd: 27 120 955 124

The Minda Group financial statements include the combined financial information for all member charities of this group.

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Minda Group's operations, the results of those operations, or the Minda Group's state of affairs in future financial years.

Minda Group
Directors' Declaration
30 June 2023

In the opinion of the Board of Directors of Minda Incorporated:

- the attached financial statements and notes comply with the Australian Accounting Standards - Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act 2012 and associated regulations;
- the attached financial statements and notes present fairly the results of the operations of the Association for the Financial Year and state of affairs of the Association as at end of the Financial Year; and
- there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

The following body corporates are subsidiaries of the Association within the meaning of section 36 of the Corporations Act 2021 (Cwlth):

Minda Community Housing Association Incorporated (deregistered 17 March 2022)
Minda Housing Ltd
Repack Pty Ltd
SA Group Enterprises Incorporated
Wine Storage & Logistics Ltd

On behalf of the Board of Directors

Director

29 September 2023

Director

Independent Auditor's Report to the Members of Minda Incorporated

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Minda Incorporated ("the Entity") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022.*

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 Entity and the Group in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Management and the Board of Directors for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

We communicate with the Board of 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
29 September 2023

Corey McGowan
Director