

# Merri Community Health Services Limited

ABN 24 550 946 840

Financial Report for the Year Ended  
30 June 2020

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

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**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**DIRECTORS' REPORT**

The Board of Directors of Merri Community Health Services Limited present their report together with the financial report of the Company for the financial year ended 30 June 2020 and auditor's report thereon.

**Directors**

The names of Directors in office at any time during or since the end of the year are detailed below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

<b>NAME</b>	<b>QUALIFICATIONS</b>	<b>ROLES DURING 2019-2020</b>
Carlo Carli	B.A(Hons), Masters Urban Planning(MUP), Diploma Italian	<b>Director (Chair)</b> Quality, Safety and Clinical Governance Committee Finance, Audit & Risk Management Committee
Darryl Annett	B.Juris., LL.B	<b>Director</b> Finance, Audit & Risk Management Committee Community Engagement Committee
Ann Taylor	D.T.(Primary), G.D.Lib, G.D.EdAdmin	<b>Director</b> Community Engagement Committee
Benjamin Maxfield	B.Com (Economics)	<b>Director</b> Finance, Audit & Risk Management Committee Quality, Safety and Clinical Governance Committee
Joe Caputo	Grad Dip IR&HRM, M.Bus (RMIT)	<b>Director</b> Quality, Safety and Clinical Governance Committee Community Engagement Committee
Julie McCormack	Masters Women's Health, B.A., GradDipEd, DipFLM, CertTAA, GCMedConRes, GAICD	<b>Director</b> Quality, Safety and Clinical Governance Committee
Seide Raffoul (from November 2019)	Resident of Moreland	<b>Director</b> Quality, Safety and Clinical Governance Committee
Sheena Watt (from November 2019)	Resident of Moreland	<b>Director</b> Community Engagement Committee
Sam Garrasi (from February 2020)	B.Bus(Business Administration), CPA, GAICD	<b>Director</b> Finance, Audit & Risk Management Committee
Michael Malakonas (to October 2019)	B.Bus(Accounting,Economics), FCPA, MBA, MAICD	<b>Director</b> Finance, Audit & Risk Management Committee
Katerina Angelopoulos (to November 2019)	B.SW, Assoc. Dip in Welfare Studies	<b>Director</b> Quality, Safety and Clinical Governance Committee
Marleine Raffoul (to November 2019)	Resident of Moreland	<b>Director</b> Finance, Audit & Risk Management Committee

The Directors attended the following Board meetings.

<b>NAME</b>	<b>Board Meetings</b>		<b>Committee Meeting Attendances</b>		
	Number eligible to attend	Number attended	Finance, Audit & Risk Mgt	Quality, Safety & Clinical Governance	Community Engagement
Carlo Carli	11	10	3	1	-
Darryl Annett	11	10	3	-	2
Ann Taylor	11	11	-	5	3
Benjamin Maxfield	11	10	2	3	-
Joe Caputo	11	11	-	1	1
Julie McCormack	11	11	-	5	-
Seide Raffoul	7	6	-	1	-
Sheena Watt	7	6	-	-	1
Sam Garrasi	5	5	3	-	-
Michael Malakonas	4	3	2	-	-
Katerina Angelopoulos	4	2	-	2	-
Marleine Raffoul	4	4	2	-	-

# Merri Community Health Services Limited

## ABN 24 550 946 840

### Principal activities

The principal activity of the entity during the financial year was to meet the health and welfare needs of individuals in the region.

The entity's short and long term objectives are to meet the health and welfare needs of individuals by:

- using a social model of health which recognises the needs of individuals who cannot readily access the health and welfare system;
- focussing on individuals who have complex health care needs, in particular those who are frail, aged, youth, disabled or mentally ill;
- giving priority to individuals who, aside from illness, are suffering from distress, misfortune, helplessness or poverty; providing these services in a culturally appropriate, effective and empowering manner;
- directly providing and facilitating the provision of a range of health, welfare and support services to individuals;
- assessing the needs of individuals and developing and implementing care plans to meet individual and carer needs;
- co-ordinating, implementing and monitoring the quality and effectiveness of care provided to individuals and modifying as appropriate; and
- directly providing a range of community-based services to individuals.

To achieve these objectives, the entity has adopted strategies which include:

- The entity strives to attract and retain quality staff and volunteers who are committed to working with the community in need, and this is evidenced by low staff turnover. The entity believes that attracting and retaining quality staff and volunteers will assist with the success of the entity in both the short and long term.
- Staff and volunteers work in partnership with a range of community stakeholders, and this is evidenced by ongoing support of the entity's projects and initiatives. The entity ensures community stakeholders understand and are committed to the objectives of the entity through ongoing education in order for the projects to succeed.
- Staff and volunteers are committed to providing the best of all possible outcomes on behalf of the community with whom the organisation is involved. This is evidenced by the success of new and existing programs in support of the community in need. Committed staff and volunteers allow the entity the ability to engage in continuous improvement.
- The entity's staff and volunteers strive to meet consistent standards of best practice and provide clear expectations of professional accountabilities and responsibilities to all stakeholders. This is evidenced by the performance of staff and volunteers being assessed based on these accountabilities, and ensure that staff are operating in the best interests of the community.

To help evaluate whether the activities of the company during the year have achieved both short-term and long-term objectives, the entity uses the following key performance measures to monitor performance:

- The entity monitors service delivery as measured against service targets. These service targets are either set as directed by funding requirements, or developed in consultation with the relevant funding organisations.
- The entity maintains a reporting calendar detailing compliance issues and requirements.
- The entity produces a monthly set of management and financial reports. These reports are reviewed by the Board of Directors, and by the executive team, to evaluate performance against the defined objectives for the financial year.

### Results

An operating loss of \$312,472 was achieved for the financial year ended 30 June 2020, including the contribution of Capital Grants (2019: surplus \$465,444).

### Review of operations

The Company continued to provide quality services in accordance with the mission, vision and values of the organisation.

### Future developments

The Company expects to maintain the present level of operations within a changing environment. The Company does not believe that there are any significant developments that will affect its ability to continue operations in future financial years.

## Merri Community Health Services Limited

ABN 24 550 946 840

### WHO declaration of COVID-19 pandemic

On 11 March 2020 the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19') as a pandemic. While the broader economy has been impacted significantly, the Company has experienced a limited impact from the COVID-19 pandemic. The impact of the pandemic on the Company will not be fully quantifiable for some time, however, in the short term the Company continues to operate at its normal capacity.

### Significant events after year end

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the results reported as at the reporting date or that affects the assessment of a going concern.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Report preparation

The Company's financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements.

### Indemnification and insurance of directors, officers and auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the consolidated entity.

### Members Guarantee

If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations of the Company.

At 30 June 2020 there were 578 members (2019: 575). The combined total amount that members of the Company are liable to contribute if the Company wound up is \$1,156 (2019: \$1,150).

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company.

### Environmental Regulation

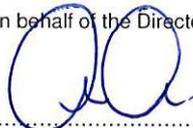
The company's operations are not subject to any 'particular and significant' Commonwealth or State environmental regulations or laws.

### Auditor's independence declaration

A copy of the auditor's independence declaration under division 60-40 of the *Australian Charities and Not for-profits Commission Act 2012* in relation to the audit for the financial year is provided with this report.

The Directors' Report is signed in accordance with a resolution of Directors made pursuant to the *Australian Charities and Not for profits Commissions Act 2012*.

On behalf of the Directors.



.....  
**Chair of the Board**

Dated at Coburg this 27th day of October 2020.



**MERRI COMMUNITY HEALTH SERVICES LTD**  
**ABN: 135 261 988**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF MERRI COMMUNITY HEALTH SERVICES LTD**

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards).

A handwritten signature in black ink that reads "M. Harrison" with a long horizontal flourish extending to the right.

MJ HARRISON  
Partner

A handwritten signature in black ink that reads "Pitcher Partners" in a cursive style.

PITCHER PARTNERS  
Melbourne

Date: 27th October 2020

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Revenue from operations		46,753,458	37,944,357
Other revenues		786,905	1,662,970
<b>Total Revenues</b>	<b>2</b>	<b>47,540,363</b>	<b>39,607,327</b>
Employee benefits expense	<b>3</b>	29,148,665	25,974,423
Depreciation and amortisation expense	<b>3</b>	2,457,643	1,239,731
Finance costs	<b>3</b>	210,163	120,130
Supplies		194,182	266,406
Computer expenses		834,179	485,239
Consulting & legal costs		830,001	259,027
Client costs		4,976,233	4,781,764
Communication		399,250	334,884
Motor vehicle expenses		287,670	313,769
Occupancy costs		1,028,024	1,511,108
Payments to Other Agencies		5,312,963	1,883,764
Repairs and Maintenance		217,230	187,960
Employment expenses		479,897	508,938
Loss on disposal of property, plant & equipment		458,730	5,723
Other expenses		1,018,005	1,269,017
<b>Total Expenses</b>		<b>47,852,835</b>	<b>39,141,883</b>
<b>Total (loss)/surplus for the year</b>		<b>(312,472)</b>	<b>465,444</b>
Other Comprehensive Income:			
Items that will not be subsequently classified to profit and loss - Revaluation of financial assets		(246,159)	-
Items that will not be classified to profit and loss - Revaluation of property, plant and equipment, net of tax		-	(422,188)
<b>Total Comprehensive Income for the year</b>		<b>(558,631)</b>	<b>43,256</b>

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents	4	14,325,135	14,126,931
Trade and other receivables	5	591,292	1,273,965
Financial assets	6	24,567	-
Other current assets	7	1,717,632	1,717,752
Asset classified as held for sale	8	-	965,000
<b>Total current assets</b>		<b>16,658,626</b>	<b>18,083,648</b>
<b>Non-current assets</b>			
Lease assets	9	3,329,627	-
Financial assets	6	7,192,724	-
Property, plant and equipment	10	12,356,417	12,412,444
<b>Total non-current assets</b>		<b>22,878,768</b>	<b>12,412,444</b>
<b>Total assets</b>		<b>39,537,394</b>	<b>30,496,092</b>
<b>Current liabilities</b>			
Trade and other payables	11	13,254,172	7,836,080
Lease liabilities	9	1,218,426	-
Provisions	12	4,020,260	3,567,326
<b>Total current liabilities</b>		<b>18,492,858</b>	<b>11,403,406</b>
<b>Non-current liabilities</b>			
Lease liabilities	9	2,160,502	-
Provisions	12	1,412,656	1,062,677
Borrowings	13	2,852,500	2,852,500
<b>Total non-current liabilities</b>		<b>6,425,658</b>	<b>3,915,177</b>
<b>Total liabilities</b>		<b>24,918,516</b>	<b>15,318,583</b>
<b>NET ASSETS</b>		<b>14,618,878</b>	<b>15,177,509</b>
<b>Equity</b>			
Reserves	14	1,496,911	2,236,121
Accumulated surplus		13,121,967	12,941,388
<b>TOTAL EQUITY</b>		<b>14,618,878</b>	<b>15,177,509</b>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Government grants received		48,437,345	37,267,979
Receipts from clients		597,798	652,161
Interest payments		(210,163)	(120,130)
Payments to suppliers and employees		(47,503,001)	(41,373,448)
Interest received		289,491	310,012
Other income received		7,427,916	4,606,834
<b>Cash provided by operating activities</b>		<b>9,039,386</b>	<b>1,343,408</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment		1,894,771	9,570
Net payment for financial assets		(7,463,450)	-
Purchase of property, plant and equipment		(2,142,907)	(678,691)
<b>Net cash used in investing activities</b>		<b>(7,711,586)</b>	<b>(669,121)</b>
<b>Cash flows from financing activities</b>			
Principal portion of lease payments		(1,129,596)	-
<b>Net cash provided used in financing activities</b>		<b>(1,129,596)</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>198,204</b>	<b>674,287</b>
<b>Cash at the beginning of the financial year</b>		<b>14,126,931</b>	<b>13,452,644</b>
<b>Cash at end of the financial year</b>	<b>4</b>	<b>14,325,135</b>	<b>14,126,931</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

**Merri Community Health Services Limited**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	<b>TOTAL EQUITY</b>	<b>Accumulated surplus</b>	<b>Reserves</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance 1 July 2018	15,134,253	12,475,944	2,658,309
Surplus for the year	465,444	465,444	-
Transfers from reserves	(422,188)	-	(422,188)
<b>Balance 30 June 2019</b>	<b>15,177,509</b>	<b>12,941,388</b>	<b>2,236,121</b>
Balance 1 July 2019	15,177,509	12,941,388	2,236,121
Loss for the year	(312,472)	(312,472)	-
Revaluation of financial assets	(246,159)	-	(246,159)
Transfers to accumulated surplus		493,051	(493,051)
- upon disposal of property, plant and equipment held at fair value			
- upon disposal of financial assets designated at fair value through other comprehensive income			
<b>Balance 30 June 2020</b>	<b>14,618,878</b>	<b>13,121,967</b>	<b>1,496,911</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

**Merri Community Health Services Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**Note 1: Statement of significant accounting policies**

Merri Community Health Services Limited is a Public Company limited by guarantee, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements Australian Accounting, Interpretations, other applicable authoritative pronouncements of the Australian Accounting Standards Board and *the Australian Charities and Not for profits Commissions Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for the revaluation of certain non-current assets and financial instruments.

The following are significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Accounting policies**

**(a) Revenue recognition**

Where applicable, revenues are recognised at the fair value of the consideration received net of the amount of goods and service tax (GST) payable to the Australian Taxation Office.

***Rendering of services***

Client fee income is recognised when the fee in respect of services provided is receivable. Accrued income represents an estimate of fees due from clients not billed at balance date. This estimate is calculated with reference to individual episode information and applicable rates.

***Grants received***

***Reciprocal grants***

Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled.

***Non-reciprocal grants***

Revenue is recognised when the grant is received or receivable.

***Interest revenue***

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

***Donation revenue***

Donation revenue is recognised when received, at the fair value of the asset donated unless designated for a specific purpose, where they are carried forward as prepaid income in the Statement of Financial Position.

**(b) Financial instruments**

***Initial recognition and measurement***

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

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

**Merri Community Health Services Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

***Classification of financial assets***

Financial assets recognised by the company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the company's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

**(c) Taxation**

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act (1997)*. Accordingly, there is no income tax expense or income tax payable.

**(d) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The GST components of cash flows arising from operating, investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

**(e) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

***Property***

Buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss.

***Plant and equipment***

Plant and equipment is measured on the cost basis.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**(f) Depreciation and amortisation**

Assets are depreciated or amortised using the straight-line method of depreciation to their estimated residual values, from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Motor Vehicle holdings were sold during the financial year, they have been depreciated in the 2020 financial year between opening date and their sale date.

Depreciation and amortisation rates and methods and residual values are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	<u>2020</u>	<u>2019</u>
Buildings	2.5%	2.5%
Building leasehold improvements	10-20%	10-20%
Plant & equipment	8.33-33%	10-33%
Motor vehicles	7.5-12.5%	2.5-15%

**(g) Impairment of assets**

At each reporting date, the Company, a not-for-profit entity, reviews the carrying values of all assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the asset's fair value less costs to sell, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is expensed.

In the case of Plant and Equipment, 'fair value' is taken to be the replacement cost of the asset.

In the case of Property, 'fair value' is taken to be based upon third party independent valuations.

**(h) Leases**

**Accounting policy applied to the information presented for the current period under AASB 16 Leases:**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

**Lease assets**

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the company, and an estimate of costs to be incurred by the company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

**Merri Community Health Services Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**Lease liabilities**

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the company's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

**Leases of 12-months or less and leases of low value assets**

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

**Accounting policy applied to the information presented for the prior period under AASB 117 Leases:**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**Finance leases**

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the company's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

**Operating leases**

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(i) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits, where the Company does not have an unconditional right to defer settlement for at least 12 months, have been classified as a current liability. Employee benefits payable later than one year have been classified as a non-current liability. Both the long-term current liabilities and non-current liabilities have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Merri Community Health Services Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**(j) Borrowing costs**

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

**(k) Superannuation plan**

The Company contributes to various defined benefit, defined contribution and accumulation superannuation plans. Contributions are charged as an expense as incurred.

**(l) Key estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained externally.

***Impairment***

The Company, a not-for-profit entity, assess for asset impairment at each reporting date by evaluating conditions specific to the Company that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is defined as the assets depreciated replacement cost or at independent valuation as is appropriate for each asset class.

***Revenue and other income***

The company derives revenue and other income from a range of activities and sources, including revenue from the sale of goods and the provision of services, and income from donations, operating grants and capital grants. In accordance with Australian Accounting Standards, the company is required to determine whether it is appropriate to recognise revenue and other income in the financial year in which cash or non-cash assets are received or to defer the recognition of revenue and other income until associated obligations and/or conditions (if any) are satisfied. In making this judgement, the company considers the guidance outlined in AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities and, in particular, whether the arrangement contains enforceable and sufficiently specific performance obligations. Where the company identifies the existence of enforceable and sufficiently specific performance obligations, or the arrangement requires the company to use the funds received to acquire or construct items of property, plant and equipment to identified specifications, the recognition of revenue and other income is deferred until the identified obligations are satisfied.

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020</b>	<b>2019</b>
	<u>\$</u>	<u>\$</u>
<b>2 Revenue</b>		
<b>Operating activities</b>		
State recurrent grants received/receivable	20,238,247	21,687,618
Commonwealth recurrent grants received/receivable	20,211,225	12,132,299
Other Funding	5,655,168	3,310,001
Client and other fees	648,818	681,607
Capital Grants received for the acquisition of Fixed Assets	-	132,832
	<u>46,753,458</u>	<u>37,944,357</u>
<b>Non-operating activities</b>		
Interest revenue	301,699	271,398
Other revenue	449,341	1,376,704
Donation revenue	4,351	14,868
Profit on disposal of property, plant & equipment	31,514	-
	<u>786,905</u>	<u>1,662,970</u>
<b>Total revenue</b>	<u>47,540,363</u>	<u>39,607,327</u>
<b>3 Expenses</b>		
Depreciation of:		
buildings	120,799	148,268
plant and equipment	632,437	614,609
motor vehicles	31,544	24,324
	<u>784,780</u>	<u>787,201</u>
Amortisation of:		
leasehold improvements	493,966	452,530
leased assets	1,178,897	-
	<u>1,672,863</u>	<u>452,530</u>
<b>Total depreciation and amortisation costs</b>	<u>2,457,643</u>	<u>1,239,731</u>
Finance costs:		
Interest and bank fees	110,231	120,130
Interest expense on lease liabilities	99,932	-
	<u>210,163</u>	<u>120,130</u>
Employee benefits:		
Salaries & wages	25,578,836	22,899,154
Superannuation	2,370,215	2,109,879
Workcover	163,681	160,083
Long-term & post-employment benefits	1,035,933	805,307
	<u>29,148,665</u>	<u>25,974,423</u>
Other costs:		
Occupancy costs	1,028,024	1,511,108
Brokerage costs	4,090,079	3,799,456
Loss on disposal of property, plant & equipment	-	5,723

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>4 Cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand	7,550	8,300
Cash at bank	8,489,319	8,594,231
Short-term term deposits	5,621,190	5,524,400
Cash trust account	207,076	-
	<u>14,325,135</u>	<u>14,126,931</u>
<b>5 Trade and other receivables</b>		
<b>Current</b>		
<b>Trade receivables</b>		
Receivables for funding and client fees	586,302	1,210,631
Less: Provision for impairment of receivables	(80,000)	(21,655)
	<u>506,302</u>	<u>1,188,976</u>
<b>Other receivables</b>		
Other receivables	84,990	84,989
	<u>84,990</u>	<u>84,989</u>
	<u>591,292</u>	<u>1,273,965</u>
Ageing analysis of client receivables		
Under 30 days	400,175	1,080,040
31 - 60 days	11,635	8,041
61 - 90 days	33,993	64,043
Over 90 days	140,499	58,507
	<u>586,302</u>	<u>1,210,631</u>
<b>6 Financial Assets</b>		
<b>Fixed Interest Investment Portfolio</b>		
Current	24,567	-
Non-Current	7,192,724	-
	<u>7,217,291</u>	<u>-</u>
<b>7 Other assets</b>		
<b>Current</b>		
Prepayments	490,729	402,966
Capital Work in Progress	-	426,630
Accrued Income	1,226,903	888,156
	<u>1,717,632</u>	<u>1,717,752</u>
<b>8 Asset classified as held for sale</b>		
Buildings - at fair value	-	965,000
	<u>-</u>	<u>965,000</u>
<b>9 Lease Assets and Lease Liabilities</b>		
Lease arrangements (30 June 2020)		
The following information relates to the current reporting period only, and is presented in accordance with AASB 16 <i>Leases</i> (which was applied by the company for the first time in the current reporting period).		
<b>(a) Lease Assets</b>		
Under lease	4,508,524	
Accumulated amortisation	(1,178,897)	
Total carrying amount of lease assets	<u>3,329,627</u>	

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Reconciliations</b>		
Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:		
Additions	4,508,524	
Amortisation	(1,178,897)	
Impairment losses	-	
	<u>3,329,627</u>	
<b>(b) Lease Liabilities</b>		
Lease Liability - Current	1,218,426	
Lease Liability - Non Current	<u>2,160,502</u>	
Total Carrying Amount of Lease Liabilities	<u>3,378,928</u>	
<b>(c) Lease expenses and cashflow</b>		
Interest expense on lease liabilities	99,932	
Amortisation expense on lease assets	1,178,897	
Gains or losses arising from sale and lease back transactions	31,514	
Cash outflow in relation to leases	1,229,528	
<b>(d) Non-cancellable operating lease arrangements (30 June 2019)</b>		
The following information relates to non-cancellable operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 <i>Leases</i> .		
<i>Future minimum lease payments to be made:</i>		
Not later than one year		832,364
Later than one year but not later than five years		1,293,367
Later than five years		303
		<u>2,126,034</u>
<b>10 Property, plant and equipment</b>		
Buildings - at fair value	7,190,360	7,190,360
Less: Accumulated depreciation	<u>(277,357)</u>	<u>(167,590)</u>
	<u>6,913,003</u>	<u>7,022,770</u>
Building improvements on leasehold land - at cost	8,011,665	7,272,163
Less: Accumulated amortisation	<u>(4,709,124)</u>	<u>(4,244,688)</u>
	<u>3,302,541</u>	<u>3,027,475</u>
Plant and equipment - at cost	4,619,972	3,295,385
Less: Accumulated depreciation	<u>(2,479,099)</u>	<u>(1,861,338)</u>
	<u>2,140,873</u>	<u>1,434,047</u>
Motor vehicles - at cost	-	1,733,935
Less: Accumulated depreciation	<u>-</u>	<u>(805,783)</u>
	<u>-</u>	<u>928,152</u>
	<u>12,356,417</u>	<u>12,412,444</u>

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020</b>	<b>2019</b>
	<u>\$</u>	<u>\$</u>
<b><i>Property pledged as security</i></b>		
As at 30 June 2020, one of the properties had been pledged as security for the borrowings as identified in Note 14.		
<b>Reconciliation of property, plant and equipment</b>		
<b><i>Buildings</i></b>		
Carrying amount at beginning of year	7,022,770	7,437,038
Transfers in	-	77,301
Disposals	11,032	-
Devaluations	-	(422,188)
Depreciation	(120,799)	(148,268)
Reclassified as asset held for sale (restatement)	-	78,887
Carrying amount at end of year	<u>6,913,003</u>	<u>7,022,770</u>
<b><i>Building improvements on leasehold land</i></b>		
Carrying amount at beginning of year	3,027,475	3,222,639
Transfers in	-	61,171
Acquisitions / additions	798,480	197,893
Disposals	(29,448)	(1,698)
Amortisation	(493,966)	(452,530)
Carrying amount at end of year	<u>3,302,541</u>	<u>3,027,475</u>
<b><i>Plant and equipment</i></b>		
Carrying amount at beginning of year	1,434,047	1,718,382
Acquisitions / additions	1,344,427	480,798
Disposals	(5,164)	(6,861)
Transfers out	-	(143,663)
Depreciation	(632,437)	(614,609)
Carrying amount at end of year	<u>2,140,873</u>	<u>1,434,047</u>
<b><i>Motor Vehicles</i></b>		
Carrying amount at beginning of year	928,152	954,019
Disposals	(896,608)	(6,734)
Transfers in	-	5,191
Depreciation	(31,544)	(24,324)
Carrying amount at end of year	<u>-</u>	<u>928,152</u>
<b><i>Total property, plant &amp; equipment</i></b>		
Carrying amount at beginning of year	12,412,444	13,332,078
Acquisitions / additions	2,142,907	678,691
Disposals	(920,188)	(15,293)
Devaluations	-	(422,188)
Depreciation /Amortisation	(1,278,746)	(1,239,731)
Reclassified as asset held for sale (restatement)	-	78,887
Carrying amount at end of year	<u>12,356,417</u>	<u>12,412,444</u>

***Valuations***

The fair values of freehold land, and buildings on freehold land have been determined by reference to director valuations, based upon independent valuation assessments obtained in 2019 and 2020. Such valuations are performed on a fair value basis, being the amounts for which the assets could be exchanged between market participants in an arm's length transaction at the valuation date. Refer to Note 1(e): Property, plant and equipment for additional information on the fair value of property, plant and equipment.

**Merri Community Health Services Limited**  
ABN 24 550 946 840

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>11 Trade and other payables</b>		
<b>Current</b>		
Trade payables	1,094,503	540,800
Grants / income received in advance	6,840,046	3,517,073
Other payables and accruals	5,319,623	3,778,207
	<u>13,254,172</u>	<u>7,836,080</u>
<p>Trade payable terms vary from 7 to 30 days generally. No interest is charged on trade payables.            Grants and other income received in advance relate to capital programs that are in progress, grants not fully expended or funding for programs that are to be delivered subsequent to the 2020 financial year.            Other payables and accruals comprise invoices for goods and services received subsequent to the close off of trade creditors.</p>		
<b>12 Provisions</b>		
<b>Current</b>		
Employee benefits: Annual leave	1,883,444	1,469,412
Employee benefits: Long service leave	2,136,816	2,097,914
	<u>4,020,260</u>	<u>3,567,326</u>
<b>Non Current</b>		
Employee benefits: Long service leave	1,412,656	1,062,677
	<u>1,412,656</u>	<u>1,062,677</u>
<b>Aggregate employee benefits</b>	<u>5,432,916</u>	<u>4,630,003</u>
<b>Movements in provisions</b>		
Carrying amount at the beginning of the year	4,630,003	3,945,721
Additional provisions recognised	2,474,370	2,581,916
Amounts used	(1,671,457)	(1,897,634)
Carrying amount at the end of the year	<u>5,432,916</u>	<u>4,630,003</u>
<b>13 Borrowings</b>		
Property Loan - Commonwealth Bank of Australia	<u>2,852,500</u>	<u>2,852,500</u>
<b><i>Property, plant and equipment pledged as security</i></b>		
Assets pledged as security relating to the above financial instruments:		
- First registered mortgage over the property purchased with the property loan, located at the corner of Bell Street and Sydney Road in Coburg.		
- General security comprising first ranking charge over all present and after acquired property.		
<b>14 Reserves</b>		
Asset revaluation reserve	1,739,369	2,236,121
Financial assets at fair value through comprehensive income reserve	(242,458)	
	<u>1,496,911</u>	<u>2,236,121</u>
<b>Reconciliation of asset revaluation reserve</b>		
Carrying amount at beginning of year	2,236,121	2,658,309
Revaluations / (Devaluations)	-	(422,188)
Disposal of asset	(496,752)	-
Carrying amount at end of year	<u>1,739,369</u>	<u>2,236,121</u>
<b>Reconciliation of financial assets at fair value through comprehensive income reserve</b>		
Carrying amount at beginning of year	-	-
Net change in fair value of financial assets classified at fair value	(246,159)	-
Transfers to retained earnings upon disposal of financial assets designated at fair value	3,701	-
Carrying amount at end of year	<u>(242,458)</u>	<u>-</u>

*The asset revaluation reserve records the revaluations of non-current assets.*

**Merri Community Health Services Limited**  
**ABN 24 550 946 840**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**15 Key Management Personnel Compensation**

	Short Term benefits \$	Post employment benefits \$	Other long-term benefits \$	Total \$
<b>2020</b>				
Total compensation	1,149,005	107,693	-	1,256,698
<b>2019</b>				
Total compensation	1,137,720	105,253	-	1,242,973

**16 Economic dependency**

Merri Community Health Services Limited is dependent on the Victorian and Commonwealth Governments for the majority of its revenue. At the date of this report the Board of Directors have no reason to believe the Departments will not continue this support.

**17 Operating Segment**

The company operates in one business and geographical segment, being the Health Industry in the state of Victoria.

**18 Events Subsequent to Reporting Date**

There has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2020, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2020, of the company.

**19 Related parties**

There were no related party transactions. All Directors are paid a small sitting fee for Board meetings as provided for in the Constitution.

**20 Contingent liabilities and assets**

There are no other events identified and not brought to account which could be expected to have a material effect on the financial statements in the future.

**21 WHO declaration of COVID-19 pandemic**

On 11 March 2020 the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19') as a pandemic. While the broader economy has been impacted significantly, the Company has experienced a limited impact from the COVID-19 pandemic. The impact of the pandemic on the Company will not be fully quantifiable for some time, however, in the short term the Company continues to operate at its normal capacity.

**22 Registered office and members guarantee**

The Company's registered office and principal place of business is 11 Glenlyon Road Brunswick Vic 3056.

If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations of the Company. At 30 June 2020 there were 578 members.

**Merri Community Health Services Limited**  
ABN 24 550 946 840

**DIRECTORS' DECLARATION**

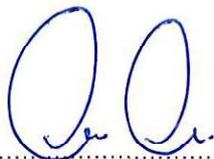
The directors declare that the financial statements and notes set out on pages 6 to 19 are in accordance with the *Australian Charities and Not for profits Commissions Act 2012*; and

- (a) Comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not for profits Commission Regulation 2013*; and
- (b) Give a true and fair view of the financial position of the entity as at 30 June 2020 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Merri Community Health Services Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors.



.....  
**Chair of the Board**

Dated at Coburg this 27th day of October 2020.

MERRI COMMUNITY HEALTH SERVICES LTD  
ABN: 135 261 988

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MERRI COMMUNITY HEALTH SERVICES LTD

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Merri Community Health Services Ltd, "the Company", which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Merri Community Health Services Ltd, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and 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.

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

**MERRI COMMUNITY HEALTH SERVICES LTD**  
**ABN: 135 261 988**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF MERRI COMMUNITY HEALTH SERVICES LTD**

*Other Information (Continued)*

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 Management and Those Charged with Governance for the Financial Report*

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a 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 Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Report*

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

**MERRI COMMUNITY HEALTH SERVICES LTD**  
**ABN: 135 261 988**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF MERRI COMMUNITY HEALTH SERVICES LTD**

*Auditor's Responsibilities for the Audit of the Financial Report (Continued)*

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 Company'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 Company'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 Company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**MERRI COMMUNITY HEALTH SERVICES LTD**  
**ABN: 135 261 988**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF MERRI COMMUNITY HEALTH SERVICES LTD**

A handwritten signature in black ink that reads "M. Harrison" with a long horizontal flourish extending to the right.

MJ HARRISON

Partner

A handwritten signature in black ink that reads "Pitcher Partners" in a cursive style.

PITCHER PARTNERS

Melbourne

Date 27th October 2020