



WE KNOW NEURO



FINANCIAL STATEMENTS

For the year ended 30 June 2021

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General information

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

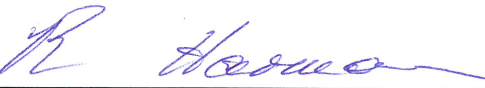
The financial statements were authorised for issue on 22 September 2021.

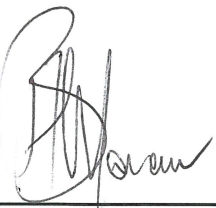
STATEMENT BY THE BOARD OF DIRECTORS

In the opinion of the Board of Directors of MSWA:

- (i) the attached financial statements and notes thereto comply with *Australian Charities and Not-for-profits Commission Act 2012*, the applicable Australian Accounting Standards as described in Note 1 of the financial statements, the *Associations Incorporation Act 2015 (WA)*, and *Charitable Collections Act 1946 (WA)* and associated regulations and other professional reporting requirements;
- (ii) attached financial statements and notes thereto gives a true and fair view of the financial position of MSWA as at 30 June 2021 and its performance for the financial year ended;
- (iii) at the date of this statement, there are reasonable grounds to believe that MSWA will be able to pay its debts as and when they become due and payable; and
- (iv) MSWA is collecting monies and goods and dispersing those monies and goods in accordance with MSWA objectives.

Signed in accordance with a resolution of the Board of Directors by:

 Director

 Director

Dated this the 22 day of September 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Multiple Sclerosis Society of Western Australia Inc (MSWA) for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A stylized, handwritten-style logo for RSM.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads "A Whyte".

ALASDAIR WHYTE
Partner

Perth, WA

Dated: 22 September 2021

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RSM Australia Partners ABN 36 965 185 036

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MULTIPLE SCLEROSIS SOCIETY OF WESTERN AUSTRALIA INC.**

Opinion

We have audited the financial report of the Multiple Sclerosis Society of Western Australia Inc. (MSWA), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by the Board of Directors.

In our opinion, the financial report of MSWA has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)*, including:

- (a) giving a true and fair view of MSWA's financial position as at 30 June 2021 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*, and the *Associations Incorporation Act 2015 (WA)*.

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

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

Basis of Accounting

We draw attention to Note 1, which describes the basis of accounting. The financial report has been prepared to assist MSWA to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in MSWA's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The Board of Directors of MSWA are responsible for the preparation of the financial report that gives a true and fair view in accordance with the basis of preparation described in Note 1 and the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)* and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board of Directors are responsible for assessing MSWA'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 intends to liquidate MSWA or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Report on the requirements of the Charitable Collections Act (1946) (WA) and the Charitable Collections Regulations (1947) (WA)

Opinion

We have audited the financial report of MSWA, as required by the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*.

In our opinion:

- (a) The financial report of MSWA has been properly prepared, and the associated records have been properly kept for the year ended 30 June 2021, in accordance with the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*; and
- (b) Funds received as a result of fundraising activities conducted during the year ended 30 June 2021 have been properly accounted for and applied in accordance with the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*;

Auditor's Responsibilities

Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising activities pursuant to the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Acts and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

RSM

RSM AUSTRALIA PARTNERS

Al Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 23 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

| | Note | 2021 | 2020 |
|--|------|-------------|------------|
| OPERATIONAL ITEMS | | | |
| Revenue | 4 | 112,459,567 | 85,581,089 |
| Expenses | | | |
| Research | | 10,000,000 | 4,000,000 |
| Prizes | | 15,104,923 | 11,406,684 |
| Advertising | | 4,621,907 | 4,533,406 |
| Event Expenses | | 250,976 | 425,948 |
| Postage & Printing | | 753,614 | 950,181 |
| Facility Expenses | | 3,784,925 | 3,702,911 |
| Finance & Consulting | | 1,350,780 | 1,061,360 |
| ICT Expenses | | 1,125,344 | 984,551 |
| Staffing Expenses | | 48,926,246 | 43,934,096 |
| Other Expenses | | 1,597,015 | 1,494,175 |
| Total Expenses | | 87,515,730 | 72,493,312 |
| Surplus from operational items | 5 | 24,943,837 | 13,087,777 |
| NON-OPERATIONAL ITEMS | | | |
| Net profit/(loss) on financial assets at fair value through profit or loss | | 1,613,183 | (270,258) |
| Income tax expense | 3 | - | - |
| Surplus after income tax expense for the year attributable to members of MSWA | | 26,557,020 | 12,817,519 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year attributable to members of MSWA | | 26,557,020 | 12,817,519 |

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------|--------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 6 | 41,515,258 | 11,635,150 |
| Trade and other receivables | 7 | 3,690,014 | 4,581,649 |
| Other current assets | 8 | 10,110,953 | 7,186,150 |
| Financial assets at amortised cost | 9 | 331,063 | 178,582 |
| Total Current Assets | | 55,647,288 | 23,581,531 |
| Non-Current Assets | | | |
| Financial assets at fair value through profit or loss | 9 | 8,672,360 | 7,056,599 |
| Property, plant and equipment | 10 | 38,619,239 | 31,602,634 |
| Right of use assets | 11 | 1,710,208 | 2,058,108 |
| Total Non-Current Assets | | 49,001,807 | 40,717,341 |
| Total Assets | | 104,649,095 | 64,298,872 |
| Current Liabilities | | | |
| Trade and other payables | 12 | 5,756,597 | 4,947,096 |
| Provisions | 13 | 10,000,000 | 4,024,886 |
| Employee benefits | 14 | 3,596,113 | 3,650,429 |
| Contract liabilities | 15 | 519,768 | 2,187,380 |
| Lease liabilities | | 337,443 | 310,389 |
| Total Current Liabilities | | 20,209,921 | 15,120,180 |
| Non-Current Liabilities | | | |
| Provisions | 13 | 152,958 | 138,658 |
| Employee benefits | 14 | 1,355,061 | 1,324,130 |
| Contract liabilities | 15 | 9,002,291 | - |
| Lease liabilities | | 1,637,837 | 1,981,897 |
| Total Non-Current Liabilities | | 12,148,147 | 3,444,685 |
| Total Liabilities | | 32,358,068 | 18,564,865 |
| Net Assets | | 72,291,027 | 45,734,007 |
| Equity | | | |
| Retained Earnings | | | |
| Capital Investment Funds | 16 | 9,003,423 | 7,235,181 |
| Restricted funds | | 9,003,423 | 7,235,181 |
| Unrestricted funds | | 63,287,604 | 38,498,826 |
| Total Equity | | 72,291,027 | 45,734,007 |

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

| | Capital Investment Funds | Restricted Funds | Unrestricted Funds | Total |
|---|--------------------------------|---------------------|-----------------------|------------|
| | \$ | \$ | \$ | |
| Balance at 1 July 2019 | 7,365,417 | 7,365,417 | 23,327,349 | 30,692,766 |
| Change in accounting policy - AASB 16 | - | - | (215,292) | (215,292) |
| Change in accounting policy - AASB 1058 | - | - | 2,439,014 | 2,439,014 |
| Adjusted balance at 1 July 2019 | 7,365,417 | 7,365,417 | 25,551,071 | 32,916,488 |
| Surplus after income tax expense for the year | - | - | 12,817,519 | 12,817,519 |
| Transfer to capital investment funds | (130,236) | (130,236) | 130,236 | - |
| Balance at 30 June 2020 | 7,235,181 | 7,235,181 | 38,498,826 | 45,734,007 |
| Balance at 1 July 2020 | 7,235,181 | 7,235,181 | 38,498,826 | 45,734,007 |
| Surplus after income tax expense for the year | - | - | 26,557,020 | 26,557,020 |
| Transfer from capital investment funds | 1,768,242 | 1,768,242 | (1,768,242) | - |
| Balance at 30 June 2021 | 9,003,423 | 9,003,423 | 63,287,604 | 72,291,027 |

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--|-------|--------------------|--------------------|
| Cash Flow from Operating Activities | | | |
| Receipts from fundraising, donations and other income | | 59,014,317 | 43,057,060 |
| Grant receipts | | 56,653,388 | 41,422,538 |
| Interest received | | 57,041 | 40,060 |
| Dividends/distributions received | | 180,702 | 165,974 |
| Payments to suppliers and employees | | (81,077,370) | (71,405,248) |
| Interest paid | | (109,558) | (123,653) |
| Net cash flows provided by operating activities | 25(b) | 34,718,520 | 13,156,731 |
| Cash Flow from Investing Activities | | | |
| Proceeds from sale of property, plant and equipment | | 1,571,513 | 1,236,017 |
| Payments for property, plant and equipment | | (5,945,415) | (3,333,370) |
| Proceeds from sale of investments | | 2,108,272 | 3,954,964 |
| Payments for investments | | (2,263,331) | (4,191,999) |
| Net cash flows used in investing activities | | (4,528,961) | (2,334,388) |
| Cash Flow from Financing Activities | | | |
| Lease payments | | (309,451) | (282,337) |
| Net cash flows used in financing activities | | (309,451) | (282,337) |
| Net increase in cash and cash equivalents held | | 29,880,108 | 10,540,006 |
| Cash and cash equivalents at the beginning of the financial year | | 11,635,150 | 1,095,144 |
| Cash and cash equivalents at the end of the financial year | 25(a) | 41,515,258 | 11,635,150 |

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting

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

New, revised or amending Accounting Standards and Interpretations adopted

MSWA has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of Preparation

In the opinion of the Board of Directors, MSWA is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the *Australian Charities and Not-for-profits Commission Act 2012*, the *Associations Incorporation Act 2015 (WA)*, and *Charitable Collections Act 1946 (WA)* and associated regulations and other professional reporting requirements. The Board of Directors have determined that the accounting policies adopted are appropriate to meet the needs of the members of MSWA.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for not-for-profit oriented entities.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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 MSWA'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.

1. Summary of Significant Accounting (cont.)

Accounting Policies

(a) Revenue

(i) Marketing and fundraising

Marketing and fundraising revenue are derived from lottery and raffle ticket sales, fundraising events, donations and bequests.

Lottery and raffle ticket sales and fundraising events

Revenue is recognised in profit or loss when MSWA satisfies the performance obligations stated within the terms and conditions of the lottery, raffle, or fundraising events. Contribution received will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Donations and bequests

Income recognised at the time MSWA obtains control of the contributions or the contractual right to the contribution. Except for when a donation or bequest gives rise to related amounts of a contribution by owners, lease liability, financial liability, or a provision.

(ii) Government grants

Government grants are derived from services and programs performed on behalf of the State, Commonwealth and Local governments, whereby MSWA has an obligation to deliver such services and programs. Government grant revenue is recognised in profit or loss when MSWA satisfies the performance obligations stated within the funding agreements. If conditions are attached to the grant which must be satisfied before MSWA is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied. Funds or grants that compensate MSWA for the cost of an asset are recognised in the statement of comprehensive income as other income when the conditions attached to the funds received are substantially satisfied.

(iii) Other revenue

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

(iv) Finance income

Finance income comprises interest income on funds invested, dividend and income, managed funds distributions. Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Dividend income and distributions are recognised on the date that MSWA's right to receive payment is established.

(v) Volunteer services

MSWA has elected not to recognise volunteer services as either revenue or other form of contribution received. As such, any related consumption or capitalisation of such resources received is also not recognised.

(vi) Capital grants

Capital grants are recognised as income when (or as) it satisfies its obligations under the transfer. Capital grants are types of grants where MSWA receives a financial asset to acquire or construct a non-financial asset to identified specifications; retains control of the non-financial asset (i.e. for its own use); and the transaction is enforceable.

All revenue is stated net of the amount of goods and services tax (GST).

1. Summary of Significant Accounting (cont.)

(b) Current and non-current classification

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

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

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

(c) Current Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, less bank overdrafts if any. Longer term investments with original maturities of over three months are classified as financial asset held at amortised cost.

(d) Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(e) Other current assets

Other current assets include prepayments and inventories related to monies paid for lottery prizes and are recognised at amortised cost.

(f) 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.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and MSWA 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.

1. Summary of Significant Accounting (cont.)

(f) Investments and other financial assets (cont.)

Impairment of financial assets

MSWA recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon MSWA's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(g) Property, Plant and Equipment

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

Property

Freehold land and buildings are measured on the cost basis.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of buildings, leasehold improvements and plant and equipment is depreciated on a straight line basis, whilst motor vehicles are depreciated using the reducing balance method, so as to depreciate assets over their useful lives to MSWA, commencing from the time an asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Buildings | 2-2.5 % |
| Leasehold improvements | 4-25 % |
| Plant and Equipment | 13-27 % |
| Motor Vehicles | 22.5 % |

1. Summary of Significant Accounting Policies (cont.)

(g) Property, Plant and Equipment (cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to MSWA. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, MSWA reviews the carrying values of its tangible assets (non-financial) 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 higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, MSWA estimates the recoverable amount of the cash-generating unit to which the asset belongs.

No impairment has been recognised for the year ended 30 June 2021.

(h) 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 MSWA 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 MSWA 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.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to MSWA 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.

(j) Provisions

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

Liabilities relating to research grants are provided for in order to recognise MSWA's obligation to pay grants to external agencies in accordance with funding agreements that commit MSWA to pay these funds per agreed time frames. MSWA has recognised a current liability for research grants payable within the next 12 months, as a provision in the statement of financial position at balance date. Any amounts payable in excess of 12 months, but committed, have been disclosed as a commitment (Note 18).

1. Summary of Significant Accounting Policies (cont.)

(k) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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 recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as 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.

(l) Contract liabilities

Contract liabilities represent MSWA's obligation to transfer a service or program to a customer on behalf of the State, and or Commonwealth Government (the provider) and are recognised when the provider pays consideration, or when MSWA recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before MSWA has transferred the service or program to the customer.

(m) Lease liability

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, MSWA'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.

(n) Fair value measurement

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

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

1. Summary of Significant Accounting Policies (cont.)

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(p) Fund accounting

On occasions MSWA may receive resources restricted for particular purposes or set aside amounts for designated or special purposes. To facilitate observance of these limitations, the financial statements list separately those funds which are restricted or special purpose and those funds which are unrestricted.

Currently MSWA maintains the following funds:

Capital Investment funds (restricted)

Funds designated by the Board of Directors, arising from the sale proceeds and interest earned on proceeds, from the former ownership of and investment in retirement villages. These funds are currently designated as funds for future investment as approved by the Board or for future capital expenditure by MSWA at the discretion of the Board of Directors.

Unrestricted funds

Those funds presently available for use by MSWA at the discretion of the Board of Directors.

(q) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

2. Critical Accounting Judgements, Estimates and Assumptions

The Board evaluates 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 both externally and within MSWA.

Impairment of non-financial assets

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

No impairment has been recognised for the year ended 30 June 2021.

2. Critical Accounting Judgements, Estimates and Assumptions (cont.)

Determining whether a grant contains enforceable and sufficiently specific obligations

The interaction between AASB 15 and AASB 1058 require the management to assess whether the government grants received need to be accounted for under AASB 15 or AASB 1058. Key to this assessment is whether the government grants contain:

- a contract with a customer that creates 'enforceable' rights and obligations, and
- the contract includes 'sufficiently specific' performance obligations.

Critical judgement was applied by management in assessing whether a promise is 'sufficiently specific', taking into account facts and circumstances and any conditions specified in the arrangement (whether explicit or implicit) regarding the promised goods or services, including conditions regarding:

- the nature or type of the goods or services
- the cost or value of the goods or services
- the quantity of the goods or services
- the period over which the goods or services must be transferred.

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 MSWA 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.

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 MSWA'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. MSWA 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.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

3. Income Tax

MSWA is exempt from income tax under the provisions of Section 50-5 of the Income Tax Assessment Act 1997.

4. Revenue

| | 2021 \$ | 2020 \$ |
|---|--------------------|-------------------|
| Marketing & fundraising income | 58,897,676 | 44,269,353 |
| Government grants (include NDIS income) | 47,594,343 | 40,044,509 |
| Corporate services – Other | 28,828 | 30,576 |
| Other Income | 916,910 | 954,728 |
| Gain on sale of non-current fixed assets | 124,912 | 75,889 |
| Investment dividends/distributions | 180,702 | 165,974 |
| Interest | 56,196 | 40,060 |
| Non-financial assets acquired for nominal consideration (land at Shenton Park refer to Note 10 (c)) | 4,660,000 | - |
| | <u>112,459,567</u> | <u>85,581,089</u> |

MSWA conducts the Mega Home Lottery and car raffles in-house and maintains effective internal controls, prior to therecording of this revenue in its financial records.

5. Surplus of the year

The surplus for the year has been determined after:

| | | |
|---|--------------|--------------|
| Net gain on sale of property, plant & equipment | 124,198 | 73,593 |
| Depreciation of property, plant & equipment | (2,141,495) | (2,089,912) |
| Depreciation of right of use assets | (342,641) | (346,106) |
| Gross salaries and wages expense | (39,848,000) | (35,313,909) |

6. Cash and Cash Equivalents

Unrestricted:

| | | |
|--|-------------------|-------------------|
| Cash on hand | 7,150 | 7,150 |
| Cash at bank (Note 6(a)) | 25,791,126 | 9,182,679 |
| Cash on deposit at approved financial institutions (Note 6(b)) | 15,716,982 | 2,445,321 |
| | <u>41,515,258</u> | <u>11,635,150</u> |

(a) Cash at bank includes \$9,000,000 received from Department of Health WA and \$2,291 in interest to construct a high support accommodation centre at Shenton Park as per the building grant deed dated 18 February 2021 (refer to note 15 (a)).

(b) Cash on deposit at approved financial institutions of \$1,169,456 (2020: 939,958) is held as security for the bank guarantees (refer to note 19).

7. Trade and Other Receivables

| | 2021 \$ | 2020 \$ |
|-----------------------------|------------------|------------------|
| Current | | |
| Trade and other receivables | 3,409,780 | 4,305,894 |
| BAS receivable | 280,234 | 275,755 |
| | <u>3,690,014</u> | <u>4,581,649</u> |

Trade and other receivable balances are all current.

(a) Expected credit loss

As at 30 June 2021, no current trade receivables were considered to be credit impaired (2020: \$nil).

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

8. Other Current Assets

| | | |
|--|-------------------|------------------|
| Current | | |
| Prepayments | 1,118,886 | 276,903 |
| Inventory – Mega Home Lottery work in progress | 8,992,067 | 6,909,247 |
| | <u>10,110,953</u> | <u>7,186,150</u> |

9. Financial Assets

Current

| | | |
|--|----------------|----------------|
| Financial assets at amortised cost – Interest bearing deposits and cash held | 331,063 | 178,582 |
| | <u>331,063</u> | <u>178,582</u> |

Non-Current

| | | |
|--|------------------|------------------|
| Financial assets at fair value through profit or loss – units in un-listed unit trusts | 8,672,360 | 7,056,599 |
| | <u>8,672,360</u> | <u>7,056,599</u> |
| | <u>9,003,423</u> | <u>7,235,181</u> |

The investments in unlisted managed unit trusts are professionally managed investment funds, whose underlying investments are listed equities on Australian and foreign securities exchanges. Redemption values of the units in these trusts are published daily.

Financial assets at fair value through profit or loss are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. If applicable all other financial assets at fair value through profit or loss are classified as current assets. These assets are restricted.

10. Property, Plant and Equipment

| | | 2021 | 2020 | | |
|--------------------------------|--------------------------|-----------------------------------|---------------------------|----------------------|-------------|
| | | \$ | \$ | | |
| Non-Current | | | | | |
| Land and buildings | | | | | |
| Cost | | 37,589,466 | 29,676,765 | | |
| Accumulated depreciation | | (3,771,525) | (3,273,413) | | |
| | | <u>33,817,941</u> | <u>26,403,352</u> | | |
| Leasehold Land / Improvements | | | | | |
| Cost | | 1,350,456 | 1,315,373 | | |
| Accumulated depreciation | | (1,072,783) | (911,457) | | |
| | | <u>277,673</u> | <u>403,916</u> | | |
| Plant and equipment | | | | | |
| Cost | | 7,798,490 | 6,929,622 | | |
| Accumulated depreciation | | (4,577,204) | (3,403,320) | | |
| | | <u>3,221,286</u> | <u>3,526,302</u> | | |
| Motor Vehicles | | | | | |
| Cost | | 2,298,702 | 2,201,915 | | |
| Accumulated depreciation | | (996,362) | (932,851) | | |
| | | <u>1,302,339</u> | <u>1,269,064</u> | | |
| | | <u>38,619,239</u> | <u>31,602,634</u> | | |
| Movements in Carrying Amounts | | | | | |
| Year ended 30 June 2021 | Land and Buildings \$ | Leasehold Land Improvements \$ | Plant and Equipment \$ | Motor Vehicles \$ | Total \$ |
| Balance at beginning of year | 26,403,352 | 403,916 | 3,526,302 | 1,269,064 | 31,602,634 |
| Additions | 7,912,701 | 35,083 | 868,868 | 1,788,763 | 10,605,415 |
| Disposals / Transfers | - | - | - | (1,447,315) | (1,447,315) |
| Depreciation expense | (498,112) | (161,326) | (1,173,884) | (308,173) | (2,141,495) |
| Carrying amount at end of year | 33,817,941 | 277,673 | 3,221,286 | 1,302,339 | 38,619,239 |

MSWA recognises land and building at cost (or at deemed cost based on the assets fair value at date of acquisition if acquired for nominal consideration. The balance of land and buildings includes:

- Land located at 148 Fern Road, Wilson, which was acquired and funded by the Disability Services Commission (DSC) at a cost of \$221,771. Homeswest constructed 6 units on the land at a cost of \$533,972.
- Land located at 57 Redmond Road, Hamilton Hill, was donated by City of Cockburn. Department of Housing constructed a complex containing 6 high support accommodation units on the land at a cost of \$729,665.
- Land located at 33 Guttman Approach Shenton Park was transferred to MSWA during the year ended 30 June 2021 for nominal consideration. The fair value at date of acquisition was determined by an independent valuer, to be \$4,660,000 and is included in the additions to land and buildings (refer Note 4).

Land and buildings at Wilson and City Beach, were provided as security to MSWA's banker for bank guarantees in favour of the Department of Racing and Gaming – being security for various lottery and raffle prizes. (refer Note 19).

11. Right of Use Assets

| | 2021 \$ | 2020 \$ |
|--------------------------|------------------|------------------|
| Non-Current | | |
| Cost | 2,933,623 | 2,938,882 |
| Accumulated depreciation | (1,223,415) | (880,774) |
| | <u>1,710,208</u> | <u>2,058,108</u> |

Additions to the right-of-use assets during the year were nil (2020: nil).

MSWA leases land and buildings for its offices, warehouses and retail outlets under agreements of between 5-10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

MSWA leases minor equipment under agreements of less than two years. These leases are either short-term or low value, so have been expensed as incurred and not capitalised as right-of-use assets.

12. Trade and Other Payables

Current

| | | |
|-------------------------------------|------------------|------------------|
| Trade creditors | 3,865,477 | 2,418,708 |
| Accrued expenses and other payables | 1,891,120 | 2,528,388 |
| | <u>5,756,597</u> | <u>4,947,096</u> |

13. Provisions

Current

| | | |
|--------------------------------|-------------------|------------------|
| Provision for research | 10,000,000 | 4,000,000 |
| Provision for grant repayments | - | 24,886 |
| | <u>10,000,000</u> | <u>4,024,886</u> |

Non-Current

| | | |
|------------------------------|----------------|----------------|
| Provision for refurbishments | 105,779 | 93,775 |
| Provision for make good | 47,179 | 44,883 |
| | <u>152,958</u> | <u>138,658</u> |

14. Employee Benefits

Current

| | | |
|-----------------------|------------------|------------------|
| Employee entitlements | <u>3,596,113</u> | <u>3,650,429</u> |
|-----------------------|------------------|------------------|

Non-Current

| | | |
|-----------------------|------------------|------------------|
| Employee entitlements | <u>1,355,061</u> | <u>1,324,130</u> |
|-----------------------|------------------|------------------|

15. Contract Liabilities

| | 2021 \$ | 2020 \$ |
|-----------------------------------|------------|------------|
| Current | | |
| Contract liabilities | 519,768 | 2,187,380 |
| Non-Current | | |
| Contract liabilities (Note 15(a)) | 9,002,291 | - |

- a) Non-current contract liabilities include grant funding was received from Department of Health WA to construct a high support accommodation centre at Shenton Park as per the building grant deed dated 18 February 2021. The funds have been classified as a non-current liability and shall be recognised through profit or loss over time as the accommodation centre is constructed and the obligations of the funding are satisfied. MSWA expects the funding obligations to be met by MSWA in the year ended 30 June 2023.

| | | |
|---|-----------|---|
| Opening balance | - | - |
| Transfer received – financial assets | 9,000,000 | - |
| Interest income | 2,291 | - |
| Funds recognised through profit or loss | - | - |
| Closing balance (Note 6(a)) | 9,002,291 | - |

16. Total Restricted Funds

Represented by:

| | | |
|--|-----------|-----------|
| Interest bearing deposits and cash held (Note 9) | 331,063 | 178,582 |
| Units in unlisted unit trusts (Note 9) | 8,672,360 | 7,056,599 |
| | 9,003,423 | 7,235,181 |

17. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of MSWA:

| | | |
|--|--------|--------|
| RSM Australia Partners | | |
| Assurance services - audit of the financial statements | 26,000 | 26,500 |
| Assurance services - attendance at lottery draws | 2,000 | 2,000 |
| Tax services | - | 5,595 |
| | 28,000 | 34,095 |

18. Commitments

| | 2021 \$ | 2020 \$ |
|--|-------------------|------------------|
| (a) Operating lease commitments | | |
| No later than one year | 13,389 | 13,389 |
| Later than one year but not later than 5 years | - | - |
| | <u>13,389</u> | <u>13,389</u> |
| (b) Capital commitments | | |
| No later than one year * | 7,234,726 | 1,561,631 |
| Later than one year but not later than 5 years** | 4,291,035 | 6,985,584 |
| | <u>11,525,761</u> | <u>8,547,215</u> |

*The commitment relates to construction of Mega Home Lottery Grand Prize Houses totalling \$2,975,157, the construction cost for high support accommodation centre and service centre at Albany \$3,622,569 and the construction of a high support accommodation centre at Shenton Park \$637,000.

**The remaining commitment for the construction of the high support accommodation centre at Shenton Park.

| | | |
|---|----------------|----------------|
| (c) Research commitments | | |
| No later than one year | 250,000 | - |
| Later than one year but not later than 5 years* | - | 250,000 |
| | <u>250,000</u> | <u>250,000</u> |

*A research funding agreement was entered into with the Perron Institute for Neurological and Translational Science on 28 June 2017, a commitment by MSWA for research into MS and Neuroplasticity.

19. Contingent Liabilities

The Department of Racing Gaming and Liquor is holding Bank Guarantees totaling \$5,040,000 (2020: \$4,640,000) as security for the Lottery and Raffle obligations. MSWA has no other contingent liabilities as at 30 June 2021 (2020: Nil).

20. Event Subsequent to Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect MSWA's operations, the results of those operations, or MSWA's state of affairs in future financial years.

21. Related Party Information

(a) Members of the Board

The names of the members of the Board of Directors who serve in a voluntary capacity and are not remunerated, in office during any part of the year, were:

- Ms Ros Harman, President
- Mr Bill Hassell AM JP, Senior Vice President (Chair of Corporate Governance Committee)
- Mr Horst Bemmerl, Vice President (Chair of Research Committee)
- Mr Bhavesh Morar, Treasurer (appointed March 2021)
- Mr Liam Roche (Chair of Audit & Risk Committee)
- Mr Michael Fay (Chair of Member Services Committee)
- Dr Greg Brotherson (Chair of Bulletin Editorial Committee) (deceased August 2021)
- Prof Bill Carroll AM, Medical Advisor
- Mr David Jones
- Mr Jason Jordon
- Mr Michael Linto
- Mr Jason Brotherson (appointed March 2021)
- Ms Jessica O'Neil (appointed April 2021)
- Mr Andrew Strelein (casual vacancy)
- Mr George Pampacos (retired October 2020)
- Mr Nebo Franich (retired December 2020)
- Mr Greg Brindle (retired March 2021)

(b) Transactions with related parties

There were no transactions with related parties.

(c) Receivable from and payables to related parties at the current and previous reporting date.

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

(d) Loans to/ from related parties

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

22. Segment Information

MSWA operates predominantly in one business and geographical segment, being in the support services to enhance the quality of life for people living with multiple sclerosis throughout Western Australia. To provide services, MSWA receives grant funding from the Government of Western Australia through its Disability Services Commission and the Department of Health WA.

23. Financial Risk Management

The main risks MSWA is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. MSWA does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments. MSWA's policies for managing each of these risks are summarised below.

(a) Interest rate risk

MSWA is exposed to interest rate fluctuations on its cash at bank and cash on deposit. MSWA actively monitors interest rates for cash at bank and cash on deposit to maximise interest. MSWA accepts the risk in relation to fixed interest securities as they are held to generate income on surplus funds.

MSWA's exposure to interest rate risk, which is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates and the effected weighted interest rates on these financial assets and financial liabilities, is as follows:

23. Financial Risk Management (cont.)

| 2021 | Weighted Average Effective Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total |
|---|---|---------------------------------------|------------------------------------|-------------------------------------|--------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 0.08% | 25,791,126 | 15,716,982 | 7,150 | 41,515,258 |
| Trade and other receivables | 0.00% | - | - | 3,690,014 | 3,690,014 |
| Financial assets at amortised costs | 0.14% | | 331,063 | - | 331,063 |
| Financial assets at fair value through profit or loss | 0.00% | - | - | 8,672,360 | 8,672,360 |
| Total Financial Assets | | 25,791,126 | 16,048,045 | 12,369,524 | 54,208,695 |
| Financial Liabilities | | | | | |
| Trade and other payables | 0.00% | - | - | (5,756,597) | (5,756,597) |
| Lease liabilities | 5.00% | - | - | (1,975,280) | (1,975,280) |
| Total Financial Liabilities | | - | - | (7,731,877) | (7,731,877) |
| Net Financial Assets | | 25,791,126 | 16,048,045 | 4,637,647 | 46,476,818 |
| 2020 | Weighted Average Effective Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total |
| Financial Assets | | | | | |
| Cash and cash equivalents | 0.25% | 9,182,679 | 2,445,321 | 7,150 | 11,635,150 |
| Trade and other receivables | 0.00% | - | - | 4,581,649 | 4,581,649 |
| Financial assets at amortised costs | 0.14% | | 178,582 | - | 178,582 |
| Financial assets held to maturity and available for sale | 0.00% | - | - | 7,056,599 | 7,056,599 |
| Total Financial Assets | | 9,182,679 | 2,623,903 | 11,645,398 | 23,451,980 |
| Financial Liabilities | | | | | |
| Trade and other payables | 0.00% | - | - | (4,947,096) | (4,947,096) |
| Lease liabilities | 5.00% | - | - | (2,292,286) | (2,292,286) |
| Total Financial Liabilities | | - | - | (7,239,382) | (7,239,382) |
| Net Financial Assets | | 9,182,679 | 2,623,903 | 4,406,016 | 16,212,598 |

23. Financial Risk Management (cont.)

Interest rate sensitivity

At 30 June 2021, if interest rates had changed by $\pm 1\%$ during the entire year with all other variables held constant, surplus for the year and equity would have been \$418,392 lower/higher. (2020: \$118,066 lower/higher).

| 2021 | Carrying Amount | +1% change | | -1% change | |
|---|------------------------|-------------------|---------------|-------------------|---------------|
| | | Surplus | Equity | Surplus | Equity |
| Financial Assets | \$ | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 41,508,108 | 415,081 | (415,081) | (415,081) | 415,081 |
| Interest bearing deposits and cash held | 331,063 | 3,311 | (3,311) | (3,311) | 3,311 |
| | | 418,392 | (418,392) | (418,392) | 418,392 |
| 2020 | Carrying Amount | +1% change | | -1% change | |
| | | Surplus | Equity | Surplus | Equity |
| Financial Assets | \$ | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 11,628,000 | 116,280 | (116,280) | (116,280) | 116,280 |
| Interest bearing deposits and cash held | 178,582 | 1,786 | (1,786) | (1,786) | 1,786 |
| | | 118,066 | (118,066) | (118,066) | 118,066 |

(b) Price risk

MSWA is exposed to unlisted unit trust index fund price risk. This arises from investments held by MSWA and classified on the statement of financial position as financial assets and correspondingly in the notes as financial asset at fair value through profit or loss. MSWA is not exposed to commodity price risk.

To manage its price risk in these investments, MSWA utilises the services of a professional firm of investment advisors. This organisation initially advised on a diversified portfolio based on the Board's limits, set for its investment funds. The investment advisors monitor and recommend their findings for any changes, additions or further diversification to MSWA's Board for consideration and implementation.

A change in the market value of these investments by $\pm 5\%$, with all other variables held constant would have increased(decreased) MSWA's total equity as shown below.

| | Carrying amount | +5% change equity | -5% change equity |
|--|-----------------|-------------------|-------------------|
| Financial Assets | \$ | \$ | \$ |
| Financial assets at fair value through profit or loss - units in unlisted unit trust | 8,672,360 | (433,618) | 433,618 |

(c) Liquidity risk

MSWA manages liquidity risk by monitoring forecast cash flows and ensuring that adequate un-utilised borrowing facilities are maintained.

All trade and other payables are payable within one year.

23. Financial Risk Management (cont.)

(d) Credit risk

MSWA is not exposed to any significant credit risk.

Based on management's assessment the determination of any expected credit loss on receivables is immaterial.

(e) Net Fair Values

The financial assets and liabilities in the statement of financial position are carried at amounts that approximate their net fair values.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

24. Fair Value Measurements

MSWA measures and recognises the following assets at fair value on a recurring basis after initial recognition

- Financial assets at fair value through profit or loss

MSWA does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

Accounting standards require the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

24. Fair Value Measurements (cont.)

30 June 2021

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|------------------|---------------|---------------|------------------|
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Financial assets at fair value through profit or loss - units in unlisted unit trust | 9 | 8,672,360 | - | - | 8,672,360 |
| Total financial assets recognised at fair value | | 8,672,360 | - | - | 8,672,360 |

30 June 2020

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|------------------|---------------|---------------|------------------|
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Financial assets at fair value through profit or loss - units in unlisted unit trust | 9 | 7,056,599 | - | - | 7,056,599 |
| Total financial assets recognised at fair value | | 7,056,599 | - | - | 7,056,599 |

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

25. Cash Flow Information

(a) Reconciliation of cash and cash equivalents

For the purposes of this Cash Flow Statement, cash and cash equivalents includes:

- i) cash on hand, cash at banks and cash in at call deposits with banks or financial institutions, net of bank overdrafts; and
- ii) Investment in money market instruments maturing within less than 3 months.

Cash and cash equivalent at the end of the year is shown in the statement of financial position as:

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Cash on hand and at bank | 25,798,276 | 9,189,829 |
| Cash on deposits at approved financial institutions | 15,716,982 | 2,445,321 |
| | <hr/> | <hr/> |
| | 41,515,258 | 11,635,150 |

(b) Reconciliation of net cash flows provided by operating activities to surplus after income tax

| | | |
|--------------------------|------------|------------|
| Surplus after income tax | 26,557,020 | 12,817,519 |
|--------------------------|------------|------------|

Non-cash flows

| | | |
|---|-------------|-----------|
| Depreciation - property, plant and equipment | 2,141,495 | 2,089,912 |
| Depreciation - right of use assets | 342,641 | 346,106 |
| Fair value of donated land | (4,660,000) | - |
| Net (gain) on sale of non-current fixed assets | (124,198) | (73,593) |
| Net (gain) / loss on financial assets at fair value | (1,613,183) | 270,258 |
| Net distributions from investments re-invested | - | 97,015 |

Changes in assets and liabilities:

| | | |
|--|-------------|-------------|
| Change in receivables | 891,635 | (2,294,612) |
| Change in other assets | (2,924,803) | (2,331,160) |
| Change in trade and other payables | 8,144,181 | 1,039,958 |
| Change in employee benefits and provisions | 5,963,732 | 1,195,328 |
| | <hr/> | <hr/> |
| | 34,718,520 | 13,156,731 |

26. MSWA Details

The principal place of business of MSWA is at:

MSWA
29 Parkhill Way,
Wilson WA 6107