

# **VICTORIAN DEAF SOCIETY**

**(ACN 004 058 084)**

**A COMPANY LIMITED BY GUARANTEE**

**Financial Statements 2013/2014**

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## **Directors' Report**

The Directors of Victorian Deaf Society (a Company Limited by Guarantee) submit herewith the financial statements for the year ended 30 June 2014 and report as follows.

Members of the Board and Company Secretary at any time during or since the end of the year, details of Committee membership or other directorships held are:

**Mr R.E.M. (Mac) Adam OAM** – President – Victorian Deaf Society. Member – Finance, and Audit Committee, Member - Planning and Performance Committee, Member - Nominations and Remuneration Committee and Member – Accommodation Taskforce. Appointed July 1990.

**Mr P G (Peter) Berg** – B Com, Advanced Diploma of Financial Services (Financial Planning), Member – Finance, and Audit Committee, Member – Investment Sub-Committee and Member – Accommodation Taskforce. Appointed March 2014.

**Mr J G (John) Ferraro** - B Science, B Orthoptics, Post Grad Dip Health Services Mgt, Master of Health Admin, Associate Program Director, Emergency and General Medicine – Eastern Health, Member - Finance & Audit Committee, Member – Nominations and Remuneration Committee, Member Investment Sub-Committee, Member, Accommodation Taskforce. Appointed February 2011. (Resigned June 2014).

**Ms H (Hilary) Fisher** – Masters Applied Commerce (Marketing), B Arts (Politics/Linguistics), Dip. Creative Arts, Communications Manager- Seniors Programs, Department of Health, Member – Marketing & Development Taskforce. Appointed June 2013

**Mr K G (Garry) Fowler** – FCA, FAICD. Treasurer – Victorian Deaf Society, Chartered Accountant and Company Director; Retired partner of Ernst & Young. Chair – Finance & Audit Committee. Chair – Investment Sub-Committee. Member – Nominations and Remuneration Committee. Chair – Accommodation Taskforce. Appointed in March 2009.

**Mr R J (Richard) Kennedy** – MBBS (Melb.),FRACS. Visiting Medical Officer - Mercy Private Hospital, Goulburn Valley Health, Royal Victorian Eye and Ear Hospital, Cochlear Implant Clinic and St. Vincent's Hospital. Chair - Planning and Performance Committee. Member – Accommodation Taskforce. Appointed April 2008.

**Mr D J (Dean) Matthews** – FAICD, BComSc, GradDipMgt, Advanced Mgt Program – Harvard Business School. Chief Information Officer - SABMiller Asia Pacific and Carlton United Breweries, Member – Nominations and Remuneration Committee, Appointed February 2011. (Resigned October 2013).

**Ms W K (Wendy) Miller** – LLB (Hons), B Arts, Senior Associate - Thompson Geer, Member - Finance & Audit Committee. Appointed July 2013.

**Mr S J (Sam) Patterson** – LLB/BSc, Stakeholder Relations and Communications Manager, The Alannah and Madeline Foundation, Chair – Marketing & Development Taskforce, Appointed March 2009.

**Dr M T (Therese) Pierce** – Ph.D (Special Educ.Admin.), M.A. (Mental Health Counselling), G.D.S.E.(Deaf Education); Dip.Ed, B.App.Science, Graduate Diploma in Deaf Studies (Language); Liaison Principal – Dept of Education and Early Childhood Development, South Western Victoria Region, Deaf Australia Expert Group (Education). Member – Marketing & Development Taskforce. Member - Planning and Performance Committee. Appointed October 2001.

**Mr G W (Gary) Hunt** – B Ec (Accounting), Company Secretary, Appointed February 2011.

**Meetings of Directors**

During the financial year, 31 scheduled meetings of directors (including committees) were held. Attendances were:

**Board Member Attendance at Meetings 2013/2014**

	Board	Finance & Audit Committee	Marketing & Development Taskforce	Nominations & Remuneration Committee	Investment Sub-Committee	Planning and Performance Committee	Accommodation Taskforce
M Adam	8/9	4/5	-	1/1	-	3/4	3/4
P Berg	2/3	2/2	-	-	1/1	-	3/3
J Ferraro	2/8	1/5	-	0/1	2/4	-	0/4
H Fisher	9/9	-	4/4	-	-	-	-
G Fowler	8/9	5/5	-	1/1	4/4	-	4/4
R Kennedy	9/9	-	-	-	-	4/4	3/4
D Matthews	1/2	-	-	0/1	-	-	-
W Miller	8/9	5/5	-	-	-	-	-
S Patterson	8/9	-	4/4	-	-	-	-
T Pierce	7/9	-	3/4	-	-	4/4	-

The number of scheduled meetings of the board or relevant committee attended and the number of meetings for which the director was eligible to attend is shown above.

**Company Objectives**

The Society's short and long term objective is to provide access and equity to Deaf and hard of hearing people in the State of Victoria through the provision of a range of services.

**Principal Activities**

The principal activities of the Society are to provide a range of services for people in the State of Victoria who are Deaf or hard of hearing.

**Company Performance**

The Society measures its performance in achieving its objectives through its strategic planning process. The current strategic plan, in place for 2010 – 2015, documents priorities, objectives and outcomes of the Society and is reviewed annually in consultation with all key stakeholders.

Detailed key performance indicators are developed within departmental business plans and reported on to all stakeholders through the Society's annual report, and to the Board each month through an agreed set of key performance indicators. The KPIs include: type and frequency of contact, hours of service and comparison with service demand, level of compliance with performance contracts, staff personal leave, turnover and OHS data. A Board Planning and Performance Committee advises on progress in achievement of the Strategic Plan.

**Operating Results**

The net profit from ordinary activities was \$136,358. The previous year, there was a net loss of \$55,685.

**Review of Operations**

The Society had an improving year with a loss of \$141,873 before taking into account the profits on sale of investments of \$278,231; this resulted in an overall surplus for the year of \$136,358 as noted in our operating results above. In 2012/2013 the Society had a loss of \$308,644 before taking into account the profits on sale of investments of \$252,959 resulting in a net loss of \$55,685 as noted above.

Client Services continues to deliver a state wide service with five case management offices operating three days a week around the state, in addition to our main office at East Melbourne.

SensWide, our employment service has increased its level of services by 15% this year. Our interpreting service, SLC, has also performed strongly increasing its service levels by 16% this year.

Our audiology business, hearservice, and our Auslan classes both performed consistently this year with more efficient business models.

Our fundraising activities were slightly up this year. We continue to perform well with grant income which is able to be directed to additional projects that we would not otherwise be able to achieve.

Property income has dropped slightly this year with a vacancy on one of the floors for part of the year.

The investment portfolio has performed well over the year, again exceeding our market related benchmarks. Our investment advisors, Evans and Partners, confirm the portfolio had a total return of 13.46% following on from a return of 20.51% the previous year.

## **Significant Changes in State of Affairs**

During the financial year there was no significant change in the Society's state of affairs other than that referred to in the Directors' Report, accounts or notes thereto.

## **Significant Events after Balance Date**

The property at 340 Albert Street, East Melbourne, was made available for sale during the 2013/2014 financial year. An unconditional contract for the sale of the property was signed on 1<sup>st</sup> July 2014 and settled on 1st September, 2014. The available for sale property asset has been reclassified as a current asset at 30<sup>th</sup> June 2014 at its net carrying value. Transaction information is detailed in Note 22.

The contract for sale of 340 Albert Street East Melbourne includes a clause to allow Vicdeaf to lease back a portion of the property for its continued use for a period of between two and five years.

## **Members guarantee**

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstandings and obligations of the group. At 30 June 2014 the number of members was 63. The combined total amount that members of the company are liable to contribute if the company is wound up is \$630.

## **Indemnifying Directors and Officers**

The following persons have been insured under an insurance policy provided by the Victorian Department of Human Services against liabilities incurred in defending legal proceedings arising out of conduct while acting in the capacity of director or officer of the Society, other than conduct involving a wilful breach of duty in relation to the Society.

Directors: Mr R E M Adam OAM, Mr P Berg, Mr J G Ferraro, Ms H Fisher, Mr K G Fowler, Mr R Kennedy, Mr D J Matthews, Ms W K Miller, Mr S Patterson, Dr M T Pierce.

Executives: Mr M G Curtis, Mr J R Donnon, Ms K A Fraser, Mr M N Grounds, Mr G W Hunt, Mr A Lyall, Ms C A Mathieson, Mr B J Phillips, Ms M Trentini, Ms G M Victor.

## **Likely Developments and Expected Results**

In 2014/2015, the Society is budgeting a deficit excluding bequest income and profits or losses on the sale of investments. The Society is looking to position itself to be breakeven before bequest income profits or losses on the sale of investments by 2015/2016 and be able to utilise bequest income for projects outside regular operational activities. The sale of 340 Albert Street, East Melbourne will assist in strengthening Vicdeaf's budget position.

Vicdeaf's major focus in the next year continues to be to position itself for the implementation of the National Disability Insurance Scheme across the disability sector. Vicdeaf will additionally focus on finalising and implementing its strategic plan for 2015-2020, including future accommodation requirements.

## **Directors' Emoluments**

No Member of the Board since the end of the previous financial year has received or become entitled to receive a benefit as consideration for their role as a Director of Victorian Deaf Society. Contracts may be made by the Society with a Board Member, or with a firm of which a Board Member is a member, or with a company in which the Board Member has a substantial financial interest, to supply goods or provide services in the normal course of business. Such transactions are to be on normal commercial terms and conditions no more favourable to those available to other parties. Any such transactions are detailed in Note 19 of the notes to the financial statements.

## **Environmental Issues**

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

**Proceedings on behalf of the company**

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

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



R E M ADAM OAM  
President



K G FOWLER  
Treasurer

Dated: 2<sup>nd</sup> September 2014



**VICTORIAN DEAF SOCIETY LTD**

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF VICTORIAN DEAF SOCIETY LTD**

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.

M J Harrison

Partner

PITCHER PARTNERS

Melbourne

Dated: 3 September 2014

**VICTORIAN DEAF SOCIETY (ACN 004 058 084)**

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**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014	2013
		\$	\$
<b>Revenue</b>			
Government Grants		5,442,679	5,030,064
Accommodation Fees		50,433	45,235
Income from sale of goods and services		3,383,688	3,139,091
Property and Investment income	22	584,753	1,196,287
Donations, bequests and fundraising		331,531	250,283
Other income		12,391	9,467
Profit from sale of assets		4,764	2,901
Profit/(Loss) from sale of investments		278,231	252,959
	3	10,088,470	9,926,287
<b>Expenses</b>			
Community Support		(1,921,824)	(1,852,622)
Information		(357,530)	(474,191)
Interpreting		(1,755,031)	(1,584,411)
Auslan Training		(130,413)	(148,147)
Employment Services		(1,877,402)	(1,681,131)
Audiology & Rehabilitation		(1,716,094)	(1,862,945)
Fundraising & Marketing		(252,273)	(225,110)
Central Administration		(1,304,486)	(1,256,068)
Special Projects		(137,152)	(23,171)
Provision for Special Projects		(276,902)	(75,000)
Property	22	(753,216)	(753,216)
Investment Expenses		(45,723)	(45,960)
		(9,774,830)	(9,981,972)
<b>Profit/(Loss) from continuing operations</b>	3,4	313,640	(55,685)
Loss from assets available for sale	22	(177,282)	-
<b>Profit/(Loss) for the year</b>	16(c)	136,358	(55,685)
<b>Other Comprehensive Income</b>			
Movement from restatement to fair value of investments		362,419	677,836
<b>Total comprehensive income/(loss) for the year</b>		498,777	622,151

**The accompanying notes form part of these financial statements**

# VICTORIAN DEAF SOCIETY (ACN 004 058 084)

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 2014

	Notes	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	366,411	165,283
Receivables	6	599,412	598,008
Inventories	7	30,488	26,498
Available for sale financial assets	8	8,943,129	8,158,622
Available for sale property plant and equipment	9	7,154,868	-
Other financial assets held in trust	10	14,314	10,840
Other current assets	11	105,145	54,440
<b>TOTAL CURRENT ASSETS</b>		<b>17,213,767</b>	<b>9,013,691</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	782,571	8,280,517
<b>TOTAL NON-CURRENT ASSETS</b>		<b>782,571</b>	<b>8,280,517</b>
<b>TOTAL ASSETS</b>		<b>17,996,338</b>	<b>17,294,208</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	619,126	510,318
Payables – trust	14	14,314	10,840
Provisions	15	1,259,897	1,146,775
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,893,337</b>	<b>1,667,933</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	15	630,319	652,370
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>630,319</b>	<b>652,370</b>
<b>TOTAL LIABILITIES</b>		<b>2,523,656</b>	<b>2,320,303</b>
<b>NET ASSETS</b>		<b>15,472,682</b>	<b>14,973,905</b>
<b>EQUITY</b>			
Fair Value Reserve	16(a)	1,199,426	837,007
Development Reserve	16(b)	200,000	200,000
Retained Earnings	16(c)	14,073,256	13,936,898
<b>TOTAL EQUITY</b>		<b>15,472,682</b>	<b>14,973,905</b>

The accompanying notes form part of these financial statements.



**VICTORIAN DEAF SOCIETY (ACN 004 058 084)**

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**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 30 June 2012</b>	359,171	13,992,583	14,351,754
Loss for the year	-	(55,685)	(55,685)
Changes in fair value of an available-for-sale financial asset, net of tax	677,836	-	677,836
<b>Total comprehensive income for the year</b>	<u>677,836</u>	<u>(55,685)</u>	<u>622,151</u>
Transfer to Reserve	-	-	-
<b>Balance as at 30 June 2013</b>	1,037,007	13,936,898	14,973,905
Profit for the year	-	136,358	136,358
Changes in fair value of an available-for-sale financial asset, net of tax	362,419	-	362,419
<b>Total comprehensive income for the year</b>	<u>362,419</u>	<u>136,358</u>	<u>498,777</u>
Transfer to Reserve	-	-	-
<b>Balance as at 30 June 2014</b>	<u><u>1,399,426</u></u>	<u><u>14,073,256</u></u>	<u><u>15,472,682</u></u>

The accompanying notes form part of these financial statements.

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**VICTORIAN DEAF SOCIETY (ACN 004 058 084)**

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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from government and customers		10,208,618	9,402,775
Payments to suppliers and employees		(10,468,307)	(10,267,214)
Interest received		140,146	149,877
Dividends and distributions received		371,339	444,143
Donations, bequests and fundraising		331,531	250,283
Net cash provided by/(used in) operating activities		583,327	(20,136)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant & equipment		107,050	127,015
Proceeds from sale of investments		2,474,944	2,471,558
Payment for property, plant & equipment		(345,391)	(351,169)
Payment for investments		(2,618,802)	(2,671,745)
Net cash used in investing activities		(382,199)	(424,341)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net cash provided by/(used in) financing activities		-	-
<b>Net increase/(decrease) in cash held</b>		201,128	(444,477)
Cash at the beginning of the financial year		165,283	609,760
<b>Cash at the end of the financial year</b>	17(a)	366,411	165,283

**The accompanying notes form part of these financial statements.**

## **Notes to the Financial Statements**

**for the year ended 30 June 2014**

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant policies which have been adopted in the preparation of these financial statements are:

#### **BASIS OF PREPARATION**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report was approved by the directors as at the date of the directors' report.

The financial report covers Victorian Deaf Society as an individual entity. Victorian Deaf Society is a company limited by guarantee, incorporated and domiciled in Australia.

The following is a summary of material 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.

#### **(a) Basis of preparation of the financial report**

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

#### **Summary of the significant accounting policies:**

#### **(b) Revenue Recognition**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Government grants received that relate to specific assets or expenses are recognised when the Society obtains control of the contribution or the right to receive the contribution.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

#### **(c) Inventories**

Finished goods are carried at the lower of cost and net realisable value. Net realisable value is based on normal selling patterns.

## Notes to the Financial Statements

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Property, plant and equipment

##### *Cost and valuation*

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

##### *Depreciation*

Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2014	2013
Buildings:	33 years	33 years
Plant and equipment:	2 to 10 years	2 to 10 years

The property at 340 Albert Street has been identified as an available for sale current asset as at 30<sup>th</sup> June 2014. The property is shown at its net carrying value as it is lower than the realisable value.

#### (e) Leases

Leases are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Minimum lease payments are charged against profits over the accounting periods covered by the lease terms.

#### (f) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use. Fair value is based on deemed depreciable replacement cost.

#### (g) Taxes

The income of the company is considered to be tax exempt under section 50-5 of the Income Tax Assessment Act 1997. Therefore, no provision for tax is required.

#### (h) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

#### (i) Provisions

Provision is made for the company's liability to provide interpreting services to Lake Park Aged Care Facility as per the contract of sale. Liabilities within one year have been provided for at their nominal amount. Liabilities greater than one year have been measured at the present value of the estimated future cash outflows to be made for interpreting needs.

Other provisions are recognised where there is a constructive obligation as a result of a passed event and a reliable estimate can be made of the obligation.

## **Notes to the Financial Statements**

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **(j) Financial Instruments**

##### *Classification*

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

##### *Available-for-Sale*

Available for sale financial assets include interests in listed and unlisted securities that are not held for trade or short term profit making, and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss. Any impairment loss arising in relation to "available-for-sale" financial assets is recognised directly in profit and loss for the period.

##### *Financial Liabilities*

Financial liabilities include trade payables and other creditors.

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

#### **(k) Comparatives**

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

#### **(l) Critical Accounting Estimates and Judgements**

Estimates and judgements are based on past performance and management's expectation for the future. The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

##### *Key Estimates - Provision for interpreting*

The Society has an obligation to provide interpreting services to Lake Park Aged Care Facility (refer Note 1 (i)), an estimate has been made of the future service requirements due under the contract.

##### *Key Judgements - Impairment of Investments*

Where investments have market value less than cost, the Society considers whether these investments are impaired and subsequently if a loss is to be recognised in the profit and loss (as opposed to the Investment revaluation reserve). The Board and Finance and Audit Committee have a process in place to undertake reviews of the investment portfolio with the investment manager, Evans & Partners. The determination of impairment includes consideration of pricing movements, and the underlying characteristics of the investments.

## Notes to the Financial Statements

### 2. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2014

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(a) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosure* and AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)*

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the company recognised \$362,419 in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The company does not have any financial liabilities that are designated at fair value through profit or loss.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The company does not have hedged instruments.

### 3. TOTAL INCOME

	2014 \$	2013 \$
<b>Continuing operations</b>		
<b>Grants and fundraising</b>		
Federal Government Grants	2,174,302	2,070,804
State Government Operating Grants	3,268,377	2,959,260
Donations, bequests and fundraising	331,531	250,283
	<u>5,774,210</u>	<u>5,280,347</u>
<b>Revenue</b>		
Accommodation fees	50,433	45,235
Income from sale of goods	1,174,679	1,305,581
Income from services	2,209,009	1,833,510
Rent	54,525	706,150
Interest income	153,293	134,789
Dividend and distribution income	376,935	355,348
Sundry income	12,391	9,467
	<u>4,031,265</u>	<u>4,390,080</u>
<b>Gains</b>		
Profit from sale of assets	4,764	2,901
Profit/(Loss) from sale of investments	278,231	252,959
	<u>282,995</u>	<u>255,860</u>
<b>Total income from continuing activities</b>	<u>10,088,470</u>	<u>9,926,287</u>
Income from assets available for sale	552,499	-
<b>Total income</b>	<u>10,640,969</u>	<u>9,926,287</u>

**Notes to the Financial Statements**

**4. PROFIT FOR THE YEAR**

	2014	2013
	\$	\$
Profit/(Losses) from continuing operations have been determined after the following specific expenses;		
Depreciation of non-current assets		
- property	-	292,056
- plant and equipment	277,874	337,941
Cost of sales of goods	488,190	598,288
Operating lease payments	386,038	303,328
Employee benefits	6,901,006	6,527,235

Profit/(Losses) from assets available for sale have been determined after the following specific expenses;

Depreciation of non-current assets		
- property	292,056	-
- plant and equipment	16,253	-
Other expenses	421,472	

**5. CASH**

Cash at bank	360,061	158,933
Cash on hand	6,350	6,350
	366,411	165,283

**6. RECEIVABLES**

**Current**

Trade debtors	304,336	328,843
Impairment loss	(8,000)	(8,000)
	296,336	320,843
Other receivables	303,076	277,165
	599,412	598,008

Trade receivables aging analysis as at 30 June is:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	\$	\$	\$	\$
Not past due	285,597	-	215,491	-
Past due 31-60 days	7,857	-	47,574	-
Past due 61-90 days	9,409	-	46,205	-
Past due more than 91 days	1,473	(8,000)	19,573	(8,000)
	304,336	(8,000)	328,843	(8,000)

**7. INVENTORIES**

	2014	2013
	\$	\$
Finished Goods	30,488	26,498

**8. AVAILABLE FOR SALE FINANCIAL ASSETS**

**Current**

Deposits	252,989	253,436
Income Securities	3,313,329	3,308,295
Property Trusts	545,924	214,393
Ordinary Shares	4,830,887	4,382,498
	8,943,129	8,158,622

**Notes to the Financial Statements**

**9. AVAILABLE FOR SALE PROPERTY PLANT AND EQUIPMENT**

	Note	2014 \$	2013 \$
Freehold land at cost	22	1,455,000	-
Buildings and improvements at written down value		5,681,561	-
Plant and equipment at written down value		18,307	-
Total available for sale property plant and equipment		<u>7,154,868</u>	<u>-</u>

**10. FINANCIAL ASSETS HELD IN TRUST**

**Current**

Deposits		<u>14,314</u>	<u>10,840</u>
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**11. OTHER ASSETS**

Prepayments		<u>105,145</u>	<u>54,440</u>
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**12. PROPERTY PLANT AND EQUIPMENT**

Freehold land at cost	9	-	1,455,000
Buildings and improvements at cost		-	8,636,860
Accumulated depreciation		-	(2,663,243)
Total land and buildings		<u>-</u>	<u>5,973,917</u>
Plant and equipment at cost		2,214,135	2,423,425
Accumulated depreciation		(1,431,564)	(1,571,525)
Total Property, Plant and Equipment		<u>782,571</u>	<u>851,900</u>
		<u>782,571</u>	<u>8,280,517</u>

(a) Valuation of land and buildings

The property at 340 Albert Street was sold on 1<sup>st</sup> July 2014 and settled on 1<sup>st</sup> September 2014. The directors have reclassified the property and its associated plant and equipment as a current asset – available for sale as at 30<sup>th</sup> June 2014. The property is shown at its net carrying value as it is lower than the realisable value.

(b) Reconciliations

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold land and buildings \$	Plant and Equipment \$	Total \$
<b>2014</b>			
Balance at the beginning of the year	7,428,617	851,900	8,280,517
Additions	-	345,391	345,391
Transfer to available for sale assets	(7,136,561)	(18,307)	(7,154,868)
Disposals	-	(102,286)	(102,286)
Depreciation expense	(292,056)	(294,127)	(586,183)
Carrying amount at the end of the year	<u>-</u>	<u>782,571</u>	<u>782,571</u>
<b>2013</b>			
Balance at the beginning of the year	7,720,673	962,785	8,683,458
Additions	-	351,169	351,169
Disposals	-	(124,113)	(124,113)
Depreciation expense	(292,056)	(337,941)	(629,997)
Carrying amount at the end of the year	<u>7,428,617</u>	<u>851,900</u>	<u>8,280,517</u>



# VICTORIAN DEAF SOCIETY (ACN 004 058 084)

## Notes to the Financial Statements

### 13. PAYABLES - GENERAL

	2014	2013
	\$	\$
<b>Current</b>		
Trade creditors	375,120	279,366
Accrued expenses	117,742	59,410
Income received in advance	126,264	171,542
	619,126	510,318

### 14. PAYABLES – TRUST

Clients' trust funds	14,314	10,840
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### 15. PROVISIONS

<b>Current</b>		
Employee benefits	887,238	827,986
Interpreting - Regis	60,000	60,000
Special Projects	312,659	258,789
	1,259,897	1,146,775

#### Non-current

Employee entitlements	99,261	89,144
Interpreting - Regis	531,058	563,226
	630,319	652,370

(a) Aggregate employee entitlement liability

(b) Number of employees at year end (full time equivalent)

	986,499	917,130
	81	81

#### Movement in provision other than employee benefit Interpreting - Regis

Carrying amount at the beginning of the year	623,226	653,573
Amounts used	(32,168)	(30,347)
Carrying amount at the end of the year	591,058	623,226

#### Special Projects

Carrying amount at the beginning of the year	258,789	303,719
Additional provisions recognised	264,902	88,518
Amounts used	(211,032)	(133,448)
Carrying amount at the end of the year	312,659	258,789

Interpreting and Special Projects provisions are for obligations under existing expenditure programs.

### 16. RESERVES AND RETAINED EARNINGS

	Notes	2014	2013
		\$	\$
Fair value reserve	16(a)	1,199,426	837,007
Development Reserve	16(b)	200,000	200,000
Retained Earnings	16(c)	14,073,256	13,936,898

#### (a) Fair Value Reserve

(i) Nature and purpose of reserve

The investment revaluation reserve is used to record unrealised (losses)/gains in investments

(ii) Movements in reserve

Balance at beginning of year	837,007	159,171
Movement during the year	362,419	677,836
Balance at the end of year	1,199,426	837,007

**Notes to the Financial Statements**

**16. RESERVES AND RETAINED EARNINGS (Cont'd)**

	2014 \$	2013 \$
<b>(b) Development Reserve</b>		
(i) Nature and purpose of reserve		
The development reserve is used to fund future initiatives out of prior year retained earnings.		
Balance at the beginning of the year	200,000	200,000
Balance at the end of the year	200,000	200,000
<b>(c) Retained Earnings</b>		
Retained earnings at the beginning of the year	13,936,898	13,992,583
Net Profit/(Loss)	136,358	(55,685)
Retained earnings at the end of the financial year	14,073,256	13,936,898

**17. STATEMENT OF CASH FLOWS**

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2014 \$	2013 \$
Cash at bank	360,061	158,933
Cash on hand	6,350	6,350
	366,411	165,283

(b) Finance facilities available

At balance date, no financing facilities had been negotiated or were available.

(c) Capital Management

The Board through the Finance & Audit Committee controls the capital of the entity to ensure adequate cash flows are generated to fund its programs and ensure adequacy of reserves. The Finance & Audit Committee ensures that the overall risk management strategy is in line with this objective.

**18. CAPITAL AND LEASING COMMITMENTS**

	2014 \$	2013 \$
<b>(a) Operating lease commitments as lessee</b>		
Commitments for non-cancellable operating leases are payable as follows:		
Payable		
- not later than one year	271,353	266,779
- later than one year and not later than five years	234,323	400,553
	505,676	667,332

The non-cancellable leases are for rental premises at various sites. All rents are payable monthly in advance.

**(b) Operating lease commitments as lessor**

Commitments for non-cancellable operating leases are receivable as follows:

Receivable		
- not later than one year	49,726	382,758
- later than one year and not later than five years	-	732,316
	49,726	1,115,074

## Notes to the Financial Statements

### 18. CAPITAL AND LEASING COMMITMENTS (cont'd)

The non-cancellable operating lease receivables as lessor are for rental premises at 340 Albert Street, East Melbourne. This property is identified in Notes 8 and 11. The property is noted as an available for sale current asset with a signed contract for sale settling on 1<sup>st</sup> September 2014. Lease commitments as lessor reflect receivables to 31<sup>st</sup> August 2014.

(c) Capital commitments

The Society has no capital commitments at the 30th June 2014.

### 19. AUDITORS' REMUNERATION

	2014	2013
	\$	\$
Remuneration of the auditor for:		
- an audit of the financial report	24,200	24,200
- other services in relation to the entity	10,000	-
	34,200	24,200

Other services to the auditor were in relation to transactional reviews.

### 20. RELATED PARTY DISCLOSURES

The Directors of the Victorian Deaf Society during the financial year were

R E M Adam	R J Kennedy
P G Berg	D J Matthews
J G Ferraro	W K Miller
H Fisher	S J Patterson
K G Fowler	M T Pierce

No remuneration was paid or is payable to directors during the year.

### 21. KEY MANAGEMENT PERSONNEL COMPENSATION

	2014	2013
	\$	\$
Compensation	1,185,008	1,107,025

### 22. EVENTS OCCURRING AFTER REPORTING DATE

A contract for the sale of 340 Albert Street, East Melbourne was signed on 1<sup>st</sup> July 2014 and settled on 1<sup>st</sup> September 2014. The property was sold at a sale price of \$14,875,000. The current asset available for sale is \$7,154,868. Transaction costs for the sale of the property are estimated at \$200,000. This represents an estimated profit on sale of \$7,520,132 to be recognised in 2014/2015.

The property was sold with a condition that Vicdeaf retains its tenancy in a lease back arrangement commencing 1<sup>st</sup> September 2014. Lease commitments for this arrangement are noted below.

	\$	
- Not later than one year	433,333	
- Later than one year and not later than five years	617,067	
	1,050,400	
Profit/(loss) from assets available for sale		
Rental income	552,499	
Depreciation	(308,309)	
Other costs	(421,472)	
	(177,282)	

## **Notes to the Financial Statements**

### **23. MEMBERS' FUND**

The company is limited by guarantee. If the company is wound up, the constitution states that each of the members is required to contribute a maximum of \$10 towards meeting any of the outstanding obligations of the company. At 30 June 2014, the number of members (including Life Members) was 63 (2013 - 64).

### **24 ECONOMIC DEPENDENCY**

The company depends for a significant amount of revenue on grants provided by the Federal and Victorian State Governments. During the year ended 30 June 2014, approximately 51% or \$5,442,679 (2013 - 51% or \$5,030,064) of the company's revenue was sourced from the Federal and Victorian State Governments.

### **25. EMPLOYEE BENEFITS**

#### **Defined Benefit Plan**

The company participated in an employer-sponsored defined benefit superannuation plan for two staff members during the year. The benefits provided by this plan are based on length of service of the members at retirement.


Employees contribute various percentages of their gross income and the company also contributes at the rate of more than the employee's contribution based upon actuarial advice. As at 30 June 2013, the fund had notional excess in assets of \$5,760. The Fund Trustee is yet to determine the position for 30 June 2014; Victorian Deaf Society could be liable for any shortfall.


**Directors' Declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 20, are in accordance with the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2014 and performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company 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 Board of Directors.

  
R E M ADAM OAM.....  
President

  
K G FOWLER.....  
Treasurer

Dated at East Melbourne this 2nd day of September 2014



**VICTORIAN DEAF SOCIETY LTD  
INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF VICTORIAN DEAF SOCIETY LTD**

We have audited the accompanying financial report of Victorian Deaf Society Ltd. which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Opinion*

In our opinion:

- (a) the financial report of Victorian Deaf Society Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

M J Harrison  
Partner

PITCHER PARTNERS  
Melbourne

Date 3 September 2014