

VICTORIAN DEAF SOCIETY

AND CONTROLLED ENTITY

(ACN 004 058 084)

A COMPANY LIMITED BY GUARANTEE

**Financial Report for the year
Ended 30 June 2019**



VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

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VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Directors' Report

The Directors of Victorian Deaf Society (a company limited by guarantee) and its controlled entity submit herewith the financial statements for the year ended 30 June 2019 and report as follows.

The Directors and Company Secretary at any time during the year and to the date of this report, details of Committee membership and other directorships held are:

Mr R.E.M. (Mac) Adam OAM – Member – Strategy, Planning and Performance Committee, Nominations and Remuneration Committee, Property Taskforce and Director, Tasmanian Deaf Society. Appointed July 1990 (Resigned Oct 2018).

Mr G P (Gavin) Balharrie – Vice President - BA (Planning and Design), BA (Property and Construction), Associate of Australian Institute of Quantity Surveyors, State Director WT Partnership, Chair - Property Taskforce and member – Strategy, Planning and Performance Committee and, appointed October 2016.

Mr P G (Peter) Berg – Treasurer - B Com, Advanced Diploma of Financial Services (Financial Planning), Chair – Investment Sub-Committee and Audiology Taskforce, member – Finance, Audit and Risk Committee and Property Task Force. Director, Tasmanian Deaf Society, appointed March 2014.

Ms H (Hilary) Fisher – President. GAICD, Masters Applied Commerce (Marketing), B Arts (Politics/Linguistics), Dip. Creative Arts, Principal Communications Advisor, Department of Health and Human Services, Member – Nominations and Remuneration Committee, ICT Sub-Committee and Marketing & Engagement Committee. Director, Tasmanian Deaf Society and Chair - Vicdeaf Community Advisory Group, appointed June 2013

Mr K G (Garry) Fowler – FCA, FAICD. - Chair, Chartered Accountant and Company Director; retired partner of Ernst & Young. Chair – Nominations and Remuneration Committee. Member – Finance, Audit & Risk Committee, Investment Sub-Committee, Audiology Taskforce, Property Taskforce and Director, Tasmanian Deaf Society, appointed in March 2009.

Mr P (Praveen) Reddy – MBA, B.Eng(Chem), GAICD, Chief Executive – Periscope Corporation, Chair - Finance, Audit & Risk Committee and ICT Subcommittee. Member - Audiology Taskforce, appointed April 2015.

Ms C A (Catherine) Santo – Deputy Chair - MAICD, BA (Psych), BSW, Fellowship of the Australian Institute of Socio-Analysis, Organisational Consultant and Director – Santo & Williams Pty Ltd. Chair – Strategy, Planning & Performance Committee, Member – Nominations and Remuneration Committee, appointed October 2014.

Mr P J (Peter) Saunders – MSTC (Adelaide), Grad Dip IP Law (Melbourne), B Com LLB (Queensland), Chartered Accountant, Lawyer and Principal at Danaher Legal, member – Property Taskforce and Strategy, Planning and Performance Committee, appointed April 2015.

Ms S (Simone) M Williams – MA (Comms), BA (AustSt), Executive Director Strategic Communications and Marketing – Headspace National Youth Mental Health Foundation, Chair – Marketing and Engagement Committee and Member – Audiology Taskforce, appointed November 2017.

Mr D (Demetrio) Zema – LLB/B.Int. R'ts (La Trobe), Director – Law Squared, Deputy Chair – Centre for Multicultural Youth, Member – Strategy, Planning and Performance Committee, Finance, Audit & Risk Committee and Audiology Taskforce, appointed April 2017

Mr G W (Gary) Hunt – CPA, B Ec. (Accounting), Company Secretary, General Manager, Finance and Administration, appointed February 2011(Resigned Aug 2019).

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

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Meetings of Directors

During the financial year, 40 scheduled meetings of directors (including committees) were held. Attendances were as follows:

	Board	Finance, Audit and Risk Committee	Marketing and Development Committee	Nominations and Remuneration Committee	Strategy, Planning and Performance Committee	Investment Sub-Committee	ICT Sub-Committee	Audiology Taskforce	Property Taskforce
M Adam	1/2	-	-	0/1	-	-	-	-	4/5
G Balharrie	8/9	-	-	-	1/2	-	-	-	5/5
P Berg	7/9	5/5	-	-	-	6/6	-	1/1	5/5
H Fisher	7/9	-	3/3	4/5	-	-	4/4	-	-
G Fowler	8/9	5/5	-	5/5	-	6/6	-	1/1	5/5
P Reddy	7/9	5/5	-	-	-	-	4/4	1/1	-
C Santo	9/9	-	-	5/5	2/2	-	-	-	-
P Saunders	7/9	-	-	-	2/2	-	-	-	4/5
S Williams	8/9	-	3/3	-	-	-	-	1/1	-
D Zema	7/9	1/5	-	-	2/2	-	-	1/1	-

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

Principal Activities

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

Company Objectives

The principal activities of the Society are to provide a range of services for people in the State of Victoria and Tasmania who are Deaf, hard of hearing or others who experience barriers to equality and inclusion.

Strategies

To achieve our stated objectives, the Society has adopted the following strategic priorities:

- Promote Deaf identity through history, culture and language.
- Deaf and hard of hearing interests and issues are understood and acted upon.
- Communication and access is available for Deaf and hard of hearing people within their daily lives.
- Provide support for participation and inclusion to those who need it at all stages of life.
- Connect and partner with organisations and government to improve services.
- Connect and partner with individuals and groups to enhance our impact.

Company Performance

We measure our performance in achieving our objectives through our strategic planning process. The strategic plan, in place for 2015 - 2020, documents priorities, objectives and outcomes of the Society and is reviewed annually in consultation with relevant stakeholders.

Detailed key performance indicators (KPI's) 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 KPI's. The KPI's include metrics regarding transition to the National Disability Insurance Scheme (NDIS), financial performance, service targets, supply and demand and staff engagement. The Strategy, Planning and Performance Committee advises on progress against achievement of the Strategic Plan. A Performance Management Framework was developed with a strategic shift away from measuring outputs to measuring impacts out outcomes as well as a preliminary draft of our organisational Theory of Change.

Operating Results

The net profit for the year was \$582,250 (2018: \$1,338,769). This profit includes an increase in unspent grants for Special Projects of \$82,745 (2018: \$935,531) which are required by the current accounting standards to be brought to account as income in the year that they are received. Expenditure against these grants will be incurred in future years, and consequently a reserve has been created to be applied against this expenditure in future years. The underlying profit before the effect of unspent grants is \$499,505 (2018: 403,238).

Total comprehensive income for the year was \$625,057 (2018: \$1,757,110). The underlying comprehensive income before the effect of unspent grants was \$542,312 (2018: 821,579).

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Review of Operations

The Society had a good year achieving a surplus result and continuing to achieve excellent outcomes against the 2015-2020 strategic plan.

Service planning and redesign continued in the lead up to full roll out of the the NDIS which included maintaining service continuity for existing clients transitioning to the NDIS. The pace of transition to NDIS has been slower than anticipated. This delay in growth of NDIS services has been offset by transition funding from DHHS.

Expression Employment, our employment service, has had a quieter year with income down 20% under the new Department of Social Service contract arrangements. Our interpreting service, Auslan Connections, has again performed strongly with service levels up 3% this year after a 13% increase in the previous year.

Our audiology business, Expression Audiology, had a good year with income up 6% and our Auslan classes had an excellent result with services up 72% following a 41% increase in the previous year.

In Tasmania, additional to services above, we continue to have a strong focus on the development of our service and business model in light of the NDIS which has included but is not limited to community engagement, capacity building and Auslan for families.

The total investment portfolio has performed well against our market related benchmarks this year. The portfolio had a total return of 6.22% following on from a return of 8.63% in the previous year. The portfolio's benchmark performance in this year was CPI plus 4.5%. The portfolio had a performance of 10.15% over the seven-year period against the benchmark performance of 6.34% for the equivalent period.

Significant Changes in State of Affairs

During the financial year there was no significant change in the Society's affairs other than that referred to in this Report, the financial statements and their notes.

Significant Events after Reporting Date

There were no significant events after reporting date.

Members' guarantee

The Society is incorporated under the *Corporations Act 2001(Cth)* as a company limited by guarantee. If the company is wound up, the Constitution states that each member is required contribute to a maximum of \$10 each towards meeting any outstanding obligations of the Society. At 30 June 2019, the number of members was 45. The combined total amount that members of the company may be liable to contribute if the Society is wound up is \$450.

Indemnifying Directors and Officers

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

Directors: Mr R E M Adam OAM, Mr G P Balharrie, Mr P Berg, Ms H Fisher, Mr K G Fowler, Mr P Reddy, Ms C A Santo, Mr P J Saunders, Ms S M Williams and Mr D Zema.

Executives: Mr M N Grounds, Ms T Hill, Mr G W Hunt, Mr A Lyall, Ms K P Kavanagh, Ms C A Mathieson, Ms T N Pearce, Mr B J Phillips, Ms L Van Opijnen and Ms G M Victor.

Likely Developments and Expected Results

In 2019-2020, the Society is budgeting for a near breakeven result as it continues to develop its service model in provision of NDIS services and focuses on the delivery of objectives of the strategic plan for 2015-2020.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

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 the 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 18 of the notes to the financial statements.

Environmental Issues

The Society'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 Society

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 6.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

K G FOWLER
Chair



P REDDY
Treasurer



Dated: 27th August 2019



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working world**

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Auditor's Independence Declaration to the Directors of Victorian Deaf Society

In relation to our audit of the financial report of the Victorian Deaf Society for the financial year ended 30 June 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Kylie Bodenham
Partner
27 August 2019

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
Revenue	2a	14,539,539	14,021,515
Other income	2b	1,596,003	1,791,408
		<u>16,135,542</u>	<u>15,812,923</u>
Expenses			
Employee costs		(10,733,257)	(10,204,149)
Rent		(1,280,584)	(1,225,482)
Depreciation and amortisation		(314,918)	(231,875)
Other expenses		(3,224,533)	(2,812,648)
		<u>(15,553,292)</u>	<u>(14,474,154)</u>
Net profit	3	<u>582,250</u>	<u>1,338,769</u>
<i>Items that will not be reclassified to the profit or loss</i>			
Changes in fair value of equity investments at FVOCI		42,807	418,341
Other comprehensive income for the year		<u>42,807</u>	<u>418,341</u>
Total comprehensive income for the year		<u>625,057</u>	<u>1,757,110</u>

The accompanying notes form part of these financial statements

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	1,927,863	1,445,798
Trade and other receivables	5	1,540,744	1,672,272
Inventories		27,734	33,749
Other financial assets held in trust		22,194	10,349
Other assets	6	261,243	223,318
TOTAL CURRENT ASSETS		3,779,778	3,385,486
NON-CURRENT ASSETS			
Financial assets	7	25,683,544	25,307,059
Plant and equipment	8	609,732	607,171
Intangible assets	9	285,664	342,357
TOTAL NON-CURRENT ASSETS		26,578,940	26,256,587
TOTAL ASSETS		30,358,718	29,642,073
CURRENT LIABILITIES			
Trade and other payables	10	1,068,479	909,221
Payables – held in trust		22,194	10,349
Provisions	11	1,438,924	1,451,416
TOTAL CURRENT LIABILITIES		2,529,597	2,370,986
NON-CURRENT LIABILITIES			
Provisions	11	337,355	404,377
TOTAL NON-CURRENT LIABILITIES		337,355	404,377
TOTAL LIABILITIES		2,866,952	2,775,363
NET ASSETS		27,491,766	26,866,710
EQUITY			
Reserves	13	2,996,224	1,968,789
Retained earnings		24,495,542	24,897,921
TOTAL EQUITY		27,491,766	26,866,710

The accompanying notes form part of these financial statements.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Financial Assets at FVOCI Reserve	Development Reserve	Tasmanian Deaf Society Reserve	Unspent grants Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$	\$
As at 1 July 2017	606,679	96,618	547,716	-	23,858,587	25,109,600
Profit for the year	-	-	-	-	1,338,769	1,338,769
Charge to Development Reserve	-	(96,618)	-	-	96,618	-
Changes in fair value of available-for-sale financial assets, net of tax	418,341	-	-	-	-	418,341
Transfer to Unspent grants reserve	-	-	-	1,301,616	(1,301,616)	-
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	(905,563)	-	-	-	905,563	-
Total comprehensive income for the year	(487,222)	(96,618)	-	1,301,616	1,039,334	1,757,110
Balance as at 30 June 2018	119,457	-	547,716	1,301,616	24,897,921	26,866,710
Profit for the year	-	-	-	-	582,250	582,250
Changes in fair value of available-for-sale financial assets, net of tax	42,807	-	-	-	-	42,807
Transfer to Unspent grants reserve	-	-	-	82,745	(82,745)	-
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	901,883	-	-	-	(901,883)	-
Total comprehensive income for the year	944,690	-	-	82,745	(402,378)	625,057
Balance as at 30 June 2019	1,064,147	-	547,716	1,384,361	24,495,543	27,491,767

The accompanying notes form part of these financial statements.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019	2018
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from government and customers		14,879,354	14,805,102
Payments to suppliers and employees		(16,413,842)	(15,279,865)
Interest received		328,535	509,894
Dividends and distributions received		1,553,429	1,158,431
Donations, bequests and fundraising		724,666	255,759
Net cash provided by operating activities		1,072,142	1,449,321
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		41,975	70,500
Proceeds from sale of investments		18,127,042	10,342,654
Payment for plant & equipment		(258,152)	(169,766)
Payment for intangibles		(38,616)	(228,258)
Payment for investments		(18,460,721)	(10,643,838)
Net cash used in investing activities		(588,472)	(628,708)
CASH FLOW FROM FINANCING ACTIVITIES			
Movements in term deposits representing net cash used in financing activities		(1,605)	(1,567)
Net increase in cash held		482,065	819,046
Cash at the beginning of the financial year		1,445,798	626,752
Cash at the end of the financial year	4	1,927,863	1,445,798

The accompanying notes form part of these financial statements.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

for the year ended 30 June 2019

1. ABOUT THIS REPORT

CORPORATE INFORMATION

The Financial Statements covers Victorian Deaf Society as a consolidated entity incorporating Tasmanian Deaf Society of which it is the sole member. Victorian Deaf Society and Tasmanian Deaf Society are companies limited by guarantee, incorporated and domiciled in Australia.

BASIS OF PREPARATION

Victorian Deaf Society applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards*.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*. The company is a not-for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for debt and equity financial assets that have been measured at fair value. The amounts presented in the financial statements have been rounded to the nearest dollar.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The following is a summary of material accounting policies adopted by the Society in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent (Victorian Deaf Society) and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

BASIS OF CONSOLIDATION (Cont'd)

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

COMPARATIVES

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

Notes to the Financial Statements

ECONOMIC DEPENDENCY

The Society depends on a significant amount of revenue on grants provided by the Federal and Victorian State Governments. During the year ended 30 June 2019, approximately 43% or \$6,987,920 (2018 - 47% or \$7,474,960) of the Society's revenue was sourced from the Federal, Victorian and Tasmanian State Governments.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Key estimates: -

(i) Provision for interpreting

The Society has an obligation to provide interpreting services to Lake Park Aged Care Facility and has estimated the future service requirements due under the contract.

(ii) Depreciation and amortisation

Useful lives of assets have been estimated by management based on historical experience and other factors.

(iii) Employee Benefits

For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the Society expects that most employees will not use all of their long service leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for long service leave entitlements are classified under AASB 119 as other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

TAXES

The income of the Society is considered to be tax exempt under section 50 of the *Income Tax Assessment Act 1997(Cth)*.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

2. TOTAL REVENUE AND OTHER INCOME

	2019 \$	2018 \$
2(a) Revenues		
Federal government grants	4,170,881	3,928,750
State government operating grants	2,817,039	3,546,210
Donations, bequests and fundraising	724,666	255,759
Accommodation fees	64,145	69,017
Income from sale of goods	1,457,356	1,359,550
Income from services	5,305,452	4,862,229
	<u>14,539,539</u>	<u>14,021,515</u>
2(b) Other income		
Rent	17,853	24,635
Interest income	300,925	374,734
Dividend and distribution income	1,242,257	1,372,886
Sundry income	28,975	19,161
Loss from sale of plant and equipment	5,993	(8)
	<u>1,596,003</u>	<u>1,791,408</u>

Significant accounting policy

Income 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 to have passed to the buyer at the time of delivery of the goods. Revenue from the rendering of a service is recognised upon the delivery of the service.

Non-reciprocal grant revenue is recognised when the Society obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Society and the amount of the grant can be measured reliably.

Donations and bequests are recognised as revenue when received.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the instrument.

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

All revenue is stated net of the amount of goods and services tax (GST). Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recovered from the Australian Tax Office (ATO).

3. EXPENDITURE

	2019 \$	2018 \$
Net profit has been determined after the following specific expenses:		
Depreciation and amortisation of non-current assets		
- plant, equipment and intangibles	314,918	231,875
Cost of sales of goods	716,659	659,855
Rent	1,280,584	1,225,482
Employee benefits	10,733,257	10,204,149

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

4. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash at bank	1,922,163	1,440,098
Cash on hand	5,700	5,700
	<u>1,927,863</u>	<u>1,445,798</u>

Significant accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

5. TRADE AND OTHER RECEIVABLES

Current

	2019	2018
	\$	\$
Trade debtors	723,582	669,941
Impairment loss	(8,000)	(8,000)
	<u>715,582</u>	<u>661,941</u>
Other receivables	825,162	1,010,331
	<u>1,540,744</u>	<u>1,672,272</u>

Significant accounting policy

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

For trade receivables, the Society applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables.

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

6. OTHER ASSETS

	2019	2018
	\$	\$
Current		
Prepayments	192,757	156,437
Term deposit	68,486	66,881
	<u>261,243</u>	<u>223,318</u>

7. FINANCIAL ASSETS

Non-current

Financial assets at fair value through OCI	<u>25,683,544</u>	<u>25,307,059</u>
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VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

7. FINANCIAL ASSETS (Cont'd)

Significant accounting policy

Initial recognition and measurement

On initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instrument; FVOCI – equity instrument; or fair value through profit or loss (FVTPL). The classification depends on the Society's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Society changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Classification and subsequent measurement

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are measured at fair value. Fair value gains and losses on equity investments are taken to other comprehensive income and there is no subsequent reclassification of the fair value gains and losses to profit or loss.

Debt instruments are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Society no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

8. PLANT AND EQUIPMENT

	2019	2018
	\$	\$
Plant and equipment at cost	2,464,630	2,352,710
Accumulated depreciation	(1,854,898)	(1,745,539)
Total Plant and Equipment	609,732	607,171

Movements in Carrying Amounts

2019

Balance at the beginning of the year	607,171
Additions	258,152
Disposals	(35,983)
Depreciation expense	(219,608)
Balance at the end of the year	609,732

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

8. PLANT AND EQUIPMENT (continued)

Significant accounting policy

Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed 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. The resulting impairment loss is recognised in the statement of profit or loss and other comprehensive income.

Depreciation

The depreciable amounts of all plant and equipment are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The depreciable amounts for each class of assets are:

	2019	2018
Plant and equipment:	10-50%	10-50%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

9. INTANGIBLES

	2019	2018
	\$	\$
Computer software - at cost	399,774	361,158
Accumulated amortisation	(114,110)	(18,800)
Net carrying amount	285,664	342,358

Movements in Carrying Amounts

	Intangible Assets \$
2019	
Balance at the beginning of the year	342,358
Additions	38,616
Amortisation expense	(95,310)
Balance at the end of the year	285,664

Significant accounting policy

Software

Software development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Society intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised software development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The assets are amortised on a straight-line basis in profit or loss over their estimated useful life of 4 years, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

10. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Current		
Trade creditors	316,086	319,464
Accrued expenses and other payables	345,751	463,291
Income received in advance	406,642	126,466
	<u>1,068,479</u>	<u>909,221</u>
Financial liabilities at amortised cost		
Trade and other payables		
- Total current	1,068,479	909,221
	<u>1,068,479</u>	<u>909,221</u>
Less: Income received in advance	(406,642)	(121,466)
	<u>661,837</u>	<u>787,755</u>
Financial liabilities at amortised cost		
	<u>661,837</u>	<u>787,755</u>

Significant accounting policy

Trade and other payables represent the liabilities for goods and services received by the Society during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Income received in advance includes revenue for services contracted to be provided in the next financial year.

11. PROVISIONS

	2019 \$	2018 \$
Current		
Employee entitlements	1,378,924	1,391,416
Interpreting - Regis	60,000	60,000
	<u>1,438,924</u>	<u>1,451,416</u>
Non-current		
Employee entitlements	95,358	107,574
Interpreting - Regis	241,997	296,803
	<u>337,355</u>	<u>404,377</u>

	Employee Entitlements \$	Interpreting - Regis \$	Total \$
Analysis of total provisions:			
Balance at 1 July 2018	1,498,990	356,803	1,855,793
Additional provision raised during the year	696,364	-	696,364
Amount used	(721,072)	(54,806)	(775,878)
Balance at 30 June 2019	<u>1,474,282</u>	<u>301,997</u>	<u>1,776,279</u>

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

11. PROVISIONS (continued)

Significant accounting policy

Provision for employee entitlements represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave and long service leave that have vested due to employees having completed the required period of service. Based on past experience, the Society does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Society does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

Provision is made for the Society'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 present obligation as a result of a past event and a reliable estimate can be made of the obligation.

12. EMPLOYEE BENEFITS

Defined Benefit Plan

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

The employee contributed various percentages of his gross income to superannuation and the Society also contributed at the rate of more than the employee's contribution based upon actuarial advice. As at 30 June 2018, the fund had a notional excess in assets of \$43,628. The fund trustee is yet to determine the position for 30 June 2019; the Society would be liable for any shortfall.

13. RESERVES AND RETAINED EARNINGS

(a) Financial Assets at FVOCI Reserve

The financial assets at FVOCI is used to record unrealised gains/(losses) in investments under AASB 9.

(b) Development Reserve

The development reserve is used fund future initiatives as determined by the Board from time to time.

(c) Reserve Tasmanian Deaf Society

The reserve acquired on acquisition of Tasmanian Deaf Society is used to fund future initiatives for Tasmanian Deaf Society as determined by the Board from time to time.

(d) Unspent Grants Reserve

The unspent grants reserve represents the total of key grant monies received or receivable for specific purposes but not used at the end of the year.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

14. FINANCIAL RISK MANAGEMENT

The Society's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 \$	2018 \$
Financial assets			
Financial assets not measured at fair value:			
<i>Amortised cost:</i>			
Trade and other receivables	5	1,540,744	1,672,272
Financial assets held in trust		22,194	10,349
Financial assets measured at fair value:			
Cash and cash equivalents	4	1,927,863	1,445,798
Term deposit	6	68,486	66,881
Financial assets at fair value through OCI	7	25,683,544	25,307,059
Total financial assets		<u>29,242,831</u>	<u>28,502,359</u>
Financial liabilities			
- trade and other payables	10	661,837	787,755
- payables – held in trust		22,194	10,349
Total financial liabilities		<u>684,031</u>	<u>798,104</u>

Refer to Note 15 for detailed disclosures regarding the fair value measurement of the Society's financial assets and financial liabilities.

15. FAIR VALUE MEASUREMENTS

	2019 \$	2018 \$
Recurring fair value measurements		
<i>Financial assets</i>		
Financial assets at fair value through OCI	25,683,544	25,307,059

Significant accounting policy

"Fair value" is the price the Society would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurable date.

As fair-value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value 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. To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transactional costs and transport costs).

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

15. FAIR VALUE MEASUREMENTS (continued)

Significant accounting policy (continued)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or sell it to another market participant that would use the asset in its highest and best use.

For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

16. PARENT ENTITY INFORMATION

Set out below is the summarised financial information of the parent entity.

	2019 \$	2018 \$
Summarised Financial Position		
Total current assets	3,779,778	3,385,486
Total assets	29,811,003	29,094,357
Total current liabilities	2,529,597	2,370,986
Total liabilities	2,866,952	2,775,363
Net assets/Total equity	26,944,051	26,318,994
Summarised Financial Performance		
Profit or loss for the year	582,250	1,338,768
Total comprehensive income	625,057	1,757,110

17. COMMITMENTS AND CONTINGENCIES

	2019 \$	2018 \$
(a) Operating lease commitments as lessee		
Commitments for non-cancellable operating leases are payable as follows:		
Payable		
- not later than one year	368,464	834,958
- later than one year and not later than five years	153,777	233,534
	<u>522,241</u>	<u>1,068,492</u>
(b) Capital commitments		

The Society has capital commitments at 30 June 2019 of \$26,498.

(c) Contingent assets and liabilities

The directors are not aware of any contingent liabilities and contingent assets that may exist at, or that may have an impact on the financial statements at reporting date.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

17. COMMITMENTS AND CONTINGENCIES (continued)

Significant accounting policy

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

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

18. RELATED PARTY TRANSACTIONS

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

R E M Adam	P Reddy
G P Balharrie	C A Santo
P G Berg	P J Saunders
H Fisher	C M Williams
K G Fowler	D Zema

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

		2019	2018
		\$	\$
Fees to Danaher Legal	(a)	1,761	7,616
Remuneration to director's spouse	(b)	25,584	-

(a) Mr P J Saunders is a Principal at Danaher Legal.

(b) Mr G P Balharrie's spouse is an Auslan teacher at Victorian Deaf Society

The table below discloses the compensation recognised as an expense during the reporting period related to Key Management Personnel.

	2019	2018
	\$	\$
Short term employee benefits	1,525,558	1,399,599
Termination benefits	-	20,311
Total compensation	1,525,558	1,419,910

19. EVENTS OCCURRING AFTER REPORTING DATE

No significant events have occurred.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

20. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Society. The Society has decided not to early adopt any of the new and amended pronouncements. The Society's assessment of the new and amended pronouncements that are relevant to the Society but applicable in future reporting periods is set out below:

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*). Not-for-profit entities have another 12 months to transition to AASB 15 and therefore it will be applicable from 1 July 2019 for the Society.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The Society is in the process of assessing the likely impacts of AASB 15 across each revenue stream and we expect that some of the grant revenue already recognised for unspent grants will be deferred and recognised upon achievement of specific performance obligations. Although the directors anticipate that the adoption of AASB 15 will have a minor impact on the Society's financial statements, this impact has not yet been quantified with precision.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transition provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Society's evaluation of the effect of adoption of the standard is underway and it is expected that some property leases will be brought onto the Statement of Financial Position through the recognition of a right-of-use asset and corresponding lease liability. The presentation and timing of recognition of charges in the income statement will also change as the operating lease expense currently reported under AASB 117, typically on a straight-line basis, will be replaced by depreciation of the right-of-use asset and interest on the lease liability.

- AASB 1058: *Income of Not-for-Profit Entities* (applicable to annual reporting periods beginning on or after 1st January 2019)

AASB 1058 applies to transactions where the consideration to purchase an asset is significantly less than its fair value in order to support the Society to further its objectives. It also applies to volunteer services.

The following are the key requirements in this standard:

1. Income arising from the excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets, and revenue should be immediately recognised in profit or loss. For this purpose, assets, liabilities and revenue are to be measured in accordance with the applicable standard;
2. A liability is recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with other standards. This liability has to be amortised to profit or loss as the entity satisfies its obligations under the transfer; and
3. The Society may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services shall be measured at fair value and any excess over the related amounts (such as contribution by owners or revenue) should be immediately recognised in profit or loss.

Although the directors anticipate that the adoption of AASB 1058 may have an impact on the Society's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Directors' Declaration

The directors of the Society declare that:

1. The financial statements and notes, as set out on pages 7 to 23, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*:
 - (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (b) give a true and fair view of the financial position as at 30 June 2019 and performance for the financial year ended on that date of the Society.
2. In the directors' opinion, there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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

K G FOWLER.....
Chair



P REDDY.....
Treasurer



Dated at East Melbourne this 27th day of August 2019



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Independent Auditor's Report to the Members of Victorian Deaf Society

Opinion

We have audited the financial report of Victorian Deaf Society (the Society) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Society are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Kylie Bodenham
Partner
Melbourne
27 August 2019