

VICTORIAN DEAF SOCIETY

(ACN 004 058 084)

A COMPANY LIMITED BY GUARANTEE

**Financial Report for the year
Ended 30 June 2016**

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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 2016 and report as follows.

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 – President – Victorian Deaf Society. Member - Planning and Performance Committee, Chair - Nominations and Remuneration Committee and Member – Tasdeaf Taskforce. Appointed July 1990.

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

Ms H (Hilary) Fisher – Masters Applied Commerce (Marketing), B Arts (Politics/Linguistics), Dip. Creative Arts, Communications Manager - Seniors Programs, Department of Health and Human Services, Member – Marketing & Engagement Committee. Member – Nominations and Remuneration Committee, Member – ICT Sub-Committee. Appointed June 2013

Mr K G (Garry) Fowler – FCA, FAICD. - Chairman – Victorian Deaf Society, Chartered Accountant and Company Director; Retired partner of Ernst & Young. Member – Finance & Audit Committee. Member – Investment Sub-Committee. Member – Nominations and Remuneration Committee. Chair – Tasdeaf 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. Member - Planning and Performance Committee. Appointed April 2008. (Resigned Oct 2015).

Mr S J (Sam) Patterson – LLB/BSc, Director – Community Relations – MacKillop Family Services, Chair – Marketing & Engagement Committee, 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); Career Pathways/Programs for Students with Disabilities (PSD), Grovedale College, Department of Education and Training, South Western Victorian Region, Deaf Australia Expert Group (Education). Member – Marketing & Engagement Committee. Member - Planning and Performance Committee. Appointed October 2001.

Mr P (Praveen) Reddy – MBA, B.Eng(Chem), GAICD, Manager Client Relations – Periscope Corporation, Member Finance & Audit Committee, Chair of ICT Subcommittee. Appointed April 2015.

Ms C A (Catherine) Santo – MAICD, BA (Psych), BSW, Fellowship Australian Institute of Socio-Analysis, Organisational Consultant and Director – Santo & Williams Pty Ltd. Chair - 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) and CA, Lawyer Thomson Geer, Member – Tasdeaf Taskforce. Appointed April 2015.

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

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

Meetings of Directors

During the financial year, 42 scheduled meetings of directors (including committees) were held. Attendances were as follows:

	Board	Finance & Audit Committee	Marketing & Engagement Committee	Nominations & Remuneration Committee	Planning and Performance Committee	Investment Sub-Committee	ICT Subcommittee	Tasdeaf Taskforce
M Adam	7/9	1/1	-	3/3	3/3	-	-	6/6
P Berg	7/9	6/6	-	-	-	9/9	-	4/6
H Fisher	9/9	-	3/3	1/1	-	-	3/3	-
G Fowler	8/9	6/6	-	3/3	-	8/9	-	6/6
R Kennedy	1/1	-	-	-	1/1	-	-	-
S Patterson	7/9	-	3/3	-	-	-	-	-
T Pierce	7/9	-	3/3	-	3/3	-	-	-
P Reddy	9/9	5/6	-	-	-	-	3/3	-
C Santo	9/9	-	-	3/3	3/3	-	-	-
P Saunders	9/9	-	-	-	-	1/1	-	6/6

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 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 Society's short and long term objective is to achieve its vision where our clients and community live in an accessible, inclusive society with equal opportunity in all areas of life.

Strategies

To achieve its 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

The Society measures its performance in achieving its objectives through its 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 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. The Planning and Performance Committee advises on progress against achievement of the Strategic Plan. A Performance Management Framework was developed in 2015-16 with a strategic shift away from measuring outputs and outcomes towards measuring impacts.

Operating Results

The net profit for the year was \$445,513 (2015: \$8,405,882). The net profit in 2015 included \$7,535,537 from profits on available for sale assets.

Review of Operations

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

SensWide, our employment service, has had a stable year with services up 3% on last year. Our interpreting service, Auslan Connections, has performed strongly increasing its service levels by 11% this year after a 31% increase in the previous year.

The audiology business, hearservice, had a 5% increase in service levels and our Auslan classes had an excellent result with services up 71%.

Our fundraising activities continue to perform well. Grant income is able to be directed to some excellent projects that we would not otherwise be able to achieve.

The total portfolio has performed well against our market related benchmarks in a challenging market. The portfolio had a total return of 4.71% following on from a return of 7.51% the previous year. The portfolio's benchmark performance in this year was CPI plus 5% over a five-year period. The portfolio had a performance of 9.64% against the benchmark performance of 6.88%.

The Society devoted resources during the year towards further developing the relationships with Deaf Children Australia and Tasdeaf. An amount equivalent to the costs relating to these activities, totalling \$103,382 has been transferred from the Development Reserve at 30 June 2016.

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 Reporting Date

On 1 July 2016, the Society became the sole member of Tasmanian Deaf Society and assumed responsibility for management, operations and service delivery in Tasmania. This was done to ensure the ongoing sustainability of services for the Tasmanian community. Tasmanian Deaf Society has unaudited net assets of \$555,286 on 30 June 2016.

There were no other significant events occurring after the reporting date.

Members' guarantee

The Society is incorporated under the *Corporations Act 2001* 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 company. At 30 June 2016 the number of members was 40. The combined total amount that members of the company may be liable to contribute if the company is wound up is \$400.

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 P Berg, Ms H Fisher, Mr K G Fowler, Mr R Kennedy, Mr S Patterson, Dr M T Pierce, Mr P Reddy, Ms C A Santo, Mr P J Saunders.

Executives: 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 2016/2017, the Society is budgeting for a deficit as it further rationalises its services for the NDIS and focuses on the continued development of its strategic plan for 2015-2020. The Society intends to continue to work closely with Deaf Children Australia in relation to colocation at new premises and the establishment of a Deaf Centre.

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 17 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
Chairman



P G BERG
Treasurer

Dated: 15th August 2016

**Auditor's Independence Declaration
To the directors of Victorian Deaf Society**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2016 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

SHINEWING AUSTRALIA
Chartered Accountants

Scott Phillips

Scott Phillips
Partner
Melbourne, 15 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Revenue and other income			
Government grants		5,615,275	5,564,621
Accommodation fees		56,684	52,110
Income from sale of goods and services		4,758,517	4,228,630
Property and investment income		1,770,228	1,861,339
Donations, bequests and fundraising		583,862	260,362
Other income		22,106	16,366
Loss from sale of assets		(7,903)	(8,697)
Profit from sale of investments		22,925	496,042
	2	12,821,694	12,470,773
Expenses			
Community support		(2,322,016)	(2,325,746)
Information		(444,176)	(415,766)
Interpreting		(2,841,915)	(2,623,083)
Auslan training		(223,670)	(158,839)
Employment services		(1,823,014)	(1,836,785)
Audiology & rehabilitation		(1,935,203)	(1,813,461)
Fundraising & marketing		(135,403)	(270,688)
Central administration		(1,867,484)	(1,603,159)
Special projects		(65,465)	(53,792)
Provision for special projects		(565,785)	(447,751)
Development expenses		(103,382)	-
Investment expenses		(48,668)	(51,358)
		(12,376,181)	(11,600,428)
Profit from continuing operations	2,3	445,513	870,345
Profit from assets available for sale		-	7,535,537
Profit for the year	14(c)	445,513	8,405,882
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets		(583,444)	(711,915)
Total comprehensive net of tax income for the year		(137,931)	7,693,967

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	4	250,786	256,978
Trade and other receivables	5	1,831,066	1,662,162
Inventories	6	29,298	47,038
Financial assets	7	23,149,313	23,342,825
Other financial assets held in trust	8	19,529	17,071
Other assets	9	175,004	191,724
TOTAL CURRENT ASSETS		25,454,996	25,517,798
NON-CURRENT ASSETS			
Plant and equipment	10	663,928	666,802
TOTAL NON-CURRENT ASSETS		663,928	666,802
TOTAL ASSETS		26,118,924	26,184,600
CURRENT LIABILITIES			
Trade and other payables	11	759,291	768,429
Payables – held in trust	12	19,529	17,071
Provisions	13	1,786,225	1,672,401
TOTAL CURRENT LIABILITIES		2,565,045	2,457,901
NON-CURRENT LIABILITIES			
Provisions	13	525,161	560,050
TOTAL NON-CURRENT LIABILITIES		525,161	560,050
TOTAL LIABILITIES		3,090,206	3,017,951
NET ASSETS		23,028,718	23,166,649
EQUITY			
Fair value reserve	14(a)	(95,933)	487,511
Development reserve	14(b)	96,618	200,000
Retained earnings	14(c)	23,028,033	22,479,138
TOTAL EQUITY		23,028,718	23,166,649

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Fair Value Reserves	Development Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance as at 30 June 2014	1,199,426	200,000	14,073,256	15,472,682
Profit for the year	-	-	8,405,882	8,405,882
Changes in fair value of available-for-sale financial assets, net of tax	(711,915)	-	-	(711,915)
Total comprehensive income for the year	(711,915)	-	8,405,882	7,693,967
Balance as at 30 June 2015	487,511	200,000	22,479,138	23,166,649
Profit for the year	-	-	445,513	445,513
Charge to Development Reserve	-	(103,382)	103,382	-
Changes in fair value of available-for-sale financial assets, net of tax	(583,444)	-	-	(583,444)
Total comprehensive income for the year	(583,444)	(103,382)	548,895	(137,931)
Balance as at 30 June 2016	(95,933)	96,618	23,028,033	23,028,718

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from government and customers		11,168,773	11,481,222
Payments to suppliers and employees		(12,955,924)	(12,709,639)
Interest received		353,700	201,816
Dividends and distributions received		1,421,538	545,310
Donations, bequests and fundraising		583,862	260,362
Net cash provided by/(used in) operating activities		571,949	(220,929)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		128,000	14,955,105
Proceeds from sale of investments		2,246,579	2,066,020
Payment for property, plant & equipment		(339,134)	(228,040)
Payment for investments		(2,613,586)	(16,681,589)
Net cash provided by/(used in) investing activities		(578,141)	111,496
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash provided by/(used in) financing activities		-	-
Net decrease in cash held		(6,192)	(109,433)
Cash at the beginning of the financial year		256,978	366,411
Cash at the end of the financial year	4	250,786	256,978

The accompanying notes form part of these financial statements.

Notes to the Financial Statements**for the year ended 30 June 2016****1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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 and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

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*. The company is a not-for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. 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 company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Summary of the significant accounting policies**(a) Revenue**

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.

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

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Notes to the Financial Statements**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(a) Revenue (cont'd)**

Victorian Deaf Society receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Donations and bequests are recognised as revenue when received

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

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).

(b) Inventories

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

(c) Plant and equipment

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 profit or loss and other comprehensive income.

Depreciation

The depreciable amounts of all 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 depreciable amounts for each class of assets are:

	2016	2015
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.

(d) Leases

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.

(e) 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.

Notes to the Financial Statements**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(e) Impairment of assets (cont'd)**

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. Any excess is recognised in profit or loss unless the asset is carried at revalued amount under another standard. 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.

(f) Taxes

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

(g) 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.

(h) 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 past event and a reliable estimate can be made of the obligation.

(i) Financial instruments***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value (refer to Note 1(o)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Notes to the Financial Statements

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

(ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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 entity 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.

(j) 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

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

(k) Critical accounting estimates and judgements

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 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: -

(i) Provision for interpreting

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

(ii) Depreciation and amortisation

Useful lives of assets in the fixed asset register 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 company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for annual 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.

Key judgements

(i) 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 managers. The determination of impairment includes consideration of pricing movements, and the underlying characteristics of the investments.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with short-term borrowings in current liabilities on the statement of financial position.

(m) 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).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the company 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.

Notes to the Financial Statements

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

(o) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the company 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).

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.

The fair value of liabilities and the entity's own equity instruments (if any) 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.

2. TOTAL REVENUE AND OTHER INCOME

	2016 \$	2015 \$
Continuing operations		
Grants and fundraising		
Federal government grants	2,002,301	1,952,398
State government operating grants	3,612,974	3,612,223
Donations, bequests and fundraising	583,862	260,362
	<u>6,199,137</u>	<u>5,824,983</u>
Revenue		
Accommodation fees	56,684	52,110
Income from sale of goods	1,282,373	1,198,306
Income from services	3,476,144	3,030,324
Rent	37,097	36,928
Interest income	637,447	494,214
Dividend and distribution income	1,095,684	1,330,197
Sundry income	22,106	16,366
	<u>6,607,535</u>	<u>6,158,445</u>
Gains		
Loss from sale of assets	(7,903)	(8,697)
Profit from sale of investments	22,925	496,042
	<u>15,022</u>	<u>487,345</u>
Total income from continuing activities	<u>12,821,694</u>	<u>12,470,773</u>
Income from assets available for sale	-	7,795,809
Total revenue and other income	<u>12,821,694</u>	<u>20,266,582</u>

Notes to the Financial Statements

3. PROFIT FOR THE YEAR

	2016 \$	2015 \$
Profit from continuing operations have been determined after the following specific expenses;		
Depreciation of non-current assets		
- plant and equipment	206,105	255,007
Cost of sales of goods	557,404	525,543
Rent	1,083,126	997,124
Employee benefits	8,330,433	7,888,678

4. CASH AND CASH EQUIVALENTS

Cash at bank	245,586	250,828
Cash on hand	5,200	6,150
	<u>250,786</u>	<u>256,978</u>

5. TRADE AND OTHER RECEIVABLES

Current

Trade debtors	499,214	407,118
Impairment loss	(8,000)	(8,000)
	<u>491,214</u>	<u>399,118</u>
Other receivables	1,339,852	1,263,044
	<u>1,831,066</u>	<u>1,662,162</u>

(a) Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

	\$
Provision for impairment as at 1 July 2014	8,000
- Charge for the year	-
- Written off	-
Provision for impairment as at 30 June 2015	8,000
- Charge for the year	-
- Written off	-
Provision for impairment as at 30 June 2016	8,000

6. INVENTORIES

Current

	2016 \$	2015 \$
Finished goods at cost	<u>29,298</u>	<u>47,038</u>

7. FINANCIAL ASSETS

Current

Available-for-sale financial assets	<u>23,149,313</u>	<u>23,342,825</u>
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8. FINANCIAL ASSETS HELD IN TRUST

Current

Deposits	<u>19,529</u>	<u>17,071</u>
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9. OTHER ASSETS

Current

Prepayments	<u>175,004</u>	<u>191,724</u>
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Notes to the Financial Statements

10. PLANT AND EQUIPMENT

	2016 \$	2015 \$
Plant and equipment at cost	2,293,663	2,238,083
Accumulated depreciation	(1,629,735)	(1,571,281)
	<u>663,928</u>	<u>666,802</u>
 Total Plant and Equipment	 <u>663,928</u>	 <u>666,802</u>

Movements in Carrying Amounts

	Plant and Equipment \$
2016	
Balance at the beginning of the year	666,802
Additions	339,134
Transfer to available for sale assets	-
Disposals	(135,903)
Depreciation expense	(206,105)
Carrying amount at the end of the year	<u>663,928</u>

11. TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
Current		
Trade creditors	442,613	490,662
Accrued expenses	196,495	127,243
Income received in advance	120,183	150,524
	<u>759,291</u>	<u>768,429</u>

Financial liabilities cost classified as trade and other payables

Trade and other payables		
- Total current	<u>759,291</u>	<u>768,429</u>
	<u>759,291</u>	<u>768,429</u>
Less: Income received in advance	(120,183)	(150,524)
	<u>639,108</u>	<u>617,905</u>

12. PAYABLES – HELD IN TRUST

Clients' trust funds	<u>19,529</u>	<u>17,071</u>
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13. PROVISIONS

Current		
Employee benefits	1,179,792	1,125,937
Interpreting - Regis	60,000	60,000
Other	-	43,500
Special projects	546,433	442,964
	<u>1,786,225</u>	<u>1,672,401</u>
Non-current		
Employee entitlements	113,493	105,250
Interpreting - Regis	411,668	454,800
	<u>525,161</u>	<u>560,050</u>

Notes to the Financial Statements

13. PROVISIONS (cont'd)

	Employee Benefits \$	Interpreting – Regis \$	Special Projects \$	Total \$
Analysis of total provisions:				
Balance at 1 July 2015	1,274,687	514,800	442,964	2,232,451
Additional provision raised during the year	549,634	-	582,039	1,131,673
Amounts used	(531,036)	(43,132)	(478,570)	(1,052,738)
Balance at 30 June 2016	1,293,285	471,668	546,433	2,311,386

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company 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 company 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. The measurement and recognition criteria for employee benefits have been discussed in Note 1(g).

14. RESERVES AND RETAINED EARNINGS

	Notes	2016 \$	2015 \$
Fair value reserve	14(a)	(95,933)	487,511
Development reserve	14(b)	96,618	200,000
Retained Earnings	14(c)	23,028,033	22,479,138
(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		487,511	1,199,426
Movement during the year		(583,444)	(711,915)
Balance at the end of year		(95,933)	487,511
(b) Development reserve			
(i) Nature and purpose of reserve			
The development reserve is used to fund future initiatives.			
Balance at the beginning of the year		200,000	200,000
Movement during the year		(103,382)	-
Balance at the end of the year		96,618	200,000
(c) Retained earnings			
Retained earnings at the beginning of the year		22,479,138	14,073,256
Net Profit		445,513	8,405,882
Transfer from Development Reserve		103,382	-
Retained earnings at the end of the financial year		23,028,033	22,479,138

Notes to the Financial Statements

15. CAPITAL AND LEASING COMMITMENTS

	2016 \$	2015 \$
(a) Operating lease commitments as lessee		
Commitments for non-cancellable operating leases are payable as follows:		
Payable		
- not later than one year	760,180	761,180
- later than one year and not later than five years	351,007	206,372
	<u>1,111,187</u>	<u>967,552</u>

(b) Capital commitments

The Society has no capital commitments at the 30th June 2016.

16. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- an audit of the financial report	26,000	24,000
- other services in relation to the entity	16,750	10,000
	<u>42,750</u>	<u>34,000</u>

Other services to the auditor were in relation to transactional reviews and employment tax advice.

17. RELATED PARTY TRANSACTIONS

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

R E M Adam	S J Patterson
P G Berg	M T Pierce
H Fisher	R Reddy
K G Fowler	C A Santo
R J Kennedy	P J Saunders

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

18. KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 \$	2015 \$
Compensation	<u>1,168,526</u>	<u>1,212,161</u>

19. EVENTS OCCURRING AFTER REPORTING DATE

On 1 July 2016, the Society became the sole member of Tasmanian Deaf Society and assumed responsibility for management, operations and service delivery in Tasmania. This was done to ensure the ongoing sustainability of services for the Tasmanian community.

The assets and liabilities of Tasmanian Deaf Society will be incorporated into the 30 June 2017 year end at fair value. The financial effect of this transaction has not been brought to account in the 2016 financial statements.

The unaudited assets and liabilities of Tasmanian Deaf Society at 30 June 2016 were: -

	2016 \$
Assets	724,033
Liabilities	168,747

Notes to the Financial Statements

20. 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 2016, approximately 44% or \$5,615,275 (2014 - 45% or \$5,564,621) of the company's revenue was sourced from the Federal and Victorian State Governments.

21. EMPLOYEE BENEFITS

Defined Benefit Plan

The company 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 company also contributed at the rate of more than the employee's contribution based upon actuarial advice. As at 30 June 2015, the fund had a notional excess in assets of \$50,471. The Fund Trustee is yet to determine the position for 30 June 2016; Victorian Deaf Society could be liable for any shortfall.

22. CONTINGENT LIABILITIES AND ASSETS

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

23. FINANCIAL RISK MANAGEMENT

The company'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	2016 \$	2015 \$
Financial assets			
<i>Loans and receivables</i>			
Cash and cash equivalents	4	250,786	256,978
Trade and other receivables	5	1,831,066	1,662,162
Financial assets held in trust	8	19,529	17,071
Available-for-sale financial assets	7	23,149,313	23,342,825
Total financial assets		<u>25,250,694</u>	<u>25,279,036</u>
Financial liabilities			
- trade and other payables	11	759,291	768,429
- payables – held in trust	12	19,529	17,071
Total financial liabilities		<u>778,820</u>	<u>785,500</u>

Refer to Note 24 for detailed disclosures regarding the fair value measurement of the company's financial assets and financial liabilities.

Notes to the Financial Statements

24. FAIR VALUE MEASUREMENTS

The company has the following assets that are measured at fair value on a recurring basis after their initial recognition. The company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	2016	2015
	\$	\$
Recurring fair value measurements		
<i>Financial assets</i>		
Available-for-sale financial assets	23,149,313	23,342,825

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

25. 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 company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the company elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- 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*).

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);

Notes to the Financial Statements**25. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (cont'd)**

- 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.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- 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;
- 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 transitional 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.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Directors' Declaration

The directors of the company 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*:
 - (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 2016 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.

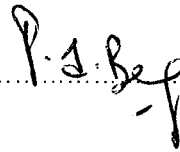
This declaration is signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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



K G FOWLER.....
Chairman

P G BERG.....
Treasurer



Dated at East Melbourne this 15th day of August 2016

INDEPENDENT AUDITOR'S REPORT

TO VICTORIAN DEAF SOCIETY

Report on the Financial Report

We have audited the accompanying financial report of Victorian Deaf Society Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 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 *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 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 about 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 of 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 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 *Australian Charities and Not-for-profits Commission Act 2012*.

Opinion

In our opinion:

- (a) the financial report of Victorian Deaf Society is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*.
 - (i) Giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on a later date.
 - (ii) Complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (b) compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

ShineWing Australia

SHINEWING AUSTRALIA
Chartered Accountants

Scott Phillips

Scott Phillips
Partner

Melbourne, 18 August 2016