

VICTORIAN DEAF SOCIETY

AND CONTROLLED ENTITY

(ACN 004 058 084)

A COMPANY LIMITED BY GUARANTEE

**Financial Report for the year
Ended 30 June 2017**

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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 2017 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 Director, Tasmanian Deaf Society. Appointed July 1990.

Mr G P (Gavin) Balharrie – BA (Planning and Design), BA (Property and Construction), Associate of Australian Institute of Quantity Surveyors, Associate Director WT Partnership, Member Performance and Planning Committee and Property Committee, Appointed October 2016.

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

Ms H (Hilary) Fisher – GAICD, Masters Applied Commerce (Marketing), B Arts (Politics/Linguistics), Dip. Creative Arts, Principal Communications Advisor, Department of Health and Human Services, Chair – Marketing & Engagement Committee. Member – Nominations and Remuneration Committee, Member – ICT Sub-Committee. Director, Tasmanian Deaf Society, Chair - Vicdeaf Community Advisory Group, 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. Member – HearService Taskforce, Director, Tasmanian Deaf Society. Appointed in March 2009.

Mr S J (Sam) Patterson – LLB/BSc, Director – Community Relations – MacKillop Family Services, Member – 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. (Resigned Oct 2016)

Mr P (Praveen) Reddy – MBA, B.Eng(Chem), GAICD, Chief Executive – Periscope Corporation, Member Finance & Audit Committee, Chair of ICT Subcommittee. Member, HearService Taskforce. 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 at Danaher Legal. Appointed April 2015.

Mr D (Demetrio) Zema – LLB/B.Int. R'lts (La Trobe), Director – Law Squared, Deputy Chair – Centre for Multicultural Youth, Member - Planning and Performance Committee, Member – HearService Taskforce. Appointed April 2017

Mr G W (Gary) Hunt – CPA, B Ec. (Accounting), Company Secretary, General Manager, Finance and Administration, Victorian Deaf Society, 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.

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Meetings of Directors

During the financial year, 37 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 Sub-Committee	Hear Service Taskforce	Tasmanian Deaf Society
M Adam	8/10	-	-	1/3	1/1	-	-	-	1/2
G Balharrie	8/8	-	-	-	1/1	-	-	-	-
P Berg	9/10	6/6	-	-	-	8/8	-	1/1	2/2
H Fisher	8/10	-	3/3	3/3	-	-	3/3	-	0/2
G Fowler	10/10	6/6	-	3/3	-	8/8	-	1/1	2/2
S Patterson	7/10	-	3/3	-	-	-	-	-	-
T Pierce	2/3	-	1/2	-	0/1	-	-	-	-
P Reddy	8/10	4/6	-	-	-	-	3/3	0/1	-
C Santo	6/10	1/1	-	2/3	1/1	-	-	-	-
P Saunders	8/10	1/1	-	-	-	-	-	-	-
D Zema	1/3	-	-	-	0/0	-	-	0/1	-

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 \$342,212 (2016: \$445,513). Total comprehensive income for the year was \$1,714,797 (2016: (\$137,931)).

Review of Operations

The Society had another solid year achieving a surplus result whilst continuing to achieve excellent outcomes in the 2015-2020 strategic plan.

Service planning and redesign continued in line with the phased rollout of the National Disability Insurance Scheme (NDIS) and service continuity for existing clients. Significant investment in community activities continued to achieve our strategic priorities.

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SensWide, our employment service, has had a consistent year with services operating from five sites around Melbourne. Our interpreting service, Auslan Connections, has performed strongly increasing its service levels by 17% this year after a 11% increase in the previous year.

The audiology business, hearservice, had a consistent year our Auslan classes had an excellent result with services up 16% following a 71% increase the previous year.

Our fundraising activities continue to perform well with some valued bequest outcomes this year.

The total investment portfolio has performed well against our market related benchmarks this year. The portfolio had a total return of 10.79% following on from a return of 4.71% the previous year. The portfolio's benchmark performance in this year was CPI plus 4.5% over a five-year period. The portfolio had a performance of 11.27% against the benchmark performance of 6.44%.

Services in Tasmania came under the umbrella of Vicdeaf from July 1 2016. A strong focus has been made to develop the service model and staff as Tasmania approaches NDIS roll out. The Society also continues to devote resources towards further developing the relationship with Deaf Children Australia.

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

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 2017 the number of members was 51. The combined total amount that members of the company may be liable to contribute if the company is wound up is \$510

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 S Patterson, Dr M T Pierce, Mr P Reddy, Ms C A Santo, Mr P J Saunders, Mr D Zema.

Executives: Mr J D Donnon, Ms K A Fraser, Mr M N Grounds, 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, Ms G M Victor.

Likely Developments and Expected Results

In 2017-2018, the Society is budgeting for a deficit as it further invests in services for the NDIS and focuses on the continued development of its strategic plan for 2015-2020. A break even forecast is anticipated in following years. 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 18 of the notes to the financial statements.

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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

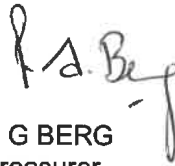
A copy of the auditor's independence declaration as required by the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 6.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



K G FOWLER
Chairman



P G BERG
Treasurer

Dated: 29th August 2017

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

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2017 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

Hayley Underwood

Hayley Underwood
Partner

Melbourne, 29 August 2017

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 \$	2016 \$
Revenue and other income			
Government grants		6,009,956	5,615,275
Accommodation fees		62,178	56,684
Income from sale of goods and services		5,480,779	4,758,517
Property and investment income		1,794,468	1,770,228
Donations, bequests and fundraising		657,590	583,862
Other income		20,569	22,106
Loss from sale of assets		(80)	(7,903)
Profit from sale of investments		-	22,925
	2	14,025,460	12,821,694
Expenses			
Community support		(2,931,784)	(2,322,016)
Information		(487,078)	(444,176)
Interpreting		(3,353,327)	(2,841,915)
Auslan training		(278,261)	(223,670)
Employment services		(1,735,754)	(1,823,014)
Audiology		(2,072,188)	(1,935,203)
Fundraising		(143,011)	(135,403)
Central administration		(2,267,117)	(1,867,484)
Special projects		(78,304)	(65,465)
Provision for special projects		(242,027)	(565,785)
Development expenses		(45,956)	(103,382)
Investment expenses		(48,441)	(48,668)
		(13,683,248)	(12,376,181)
Net profit	3	342,212	445,513
<i>Items that will not be reclassified to the profit or loss</i>			
Changes in fair value of equity investments at FVOCI		824,869	-
Reserve acquired on acquisition of Tasmanian Deaf Society		547,716	-
<i>Items that may be reclassified to the profit or loss</i>			
Changes in fair value of available-for-sale financial assets	15(a)	-	(583,444)
Other comprehensive income for the year		1,372,585	(583,444)
Total comprehensive income for the year		1,714,797	(137,931)

The accompanying notes form part of these financial statements

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		Consolidated	
	Notes	2017	2016
			Restated *
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	692,065	250,786
Trade and other receivables	5	1,419,939	1,831,066
Inventories	6	28,305	29,298
Other financial assets held in trust	7	20,976	19,529
Other assets	8	185,790	175,004
TOTAL CURRENT ASSETS		2,347,075	2,305,683
NON-CURRENT ASSETS			
Financial assets	9	24,587,534	23,149,313
Plant and equipment	10	720,988	663,928
Intangible assets	11	132,900	-
TOTAL NON-CURRENT ASSETS		25,441,422	23,813,241
TOTAL ASSETS		27,788,497	26,118,924
CURRENT LIABILITIES			
Trade and other payables	12	792,807	759,291
Payables – held in trust	13	20,976	19,529
Provisions	14	1,756,688	1,786,225
TOTAL CURRENT LIABILITIES		2,570,471	2,565,045
NON-CURRENT LIABILITIES			
Provisions	14	474,511	525,161
TOTAL NON-CURRENT LIABILITIES		474,511	525,161
TOTAL LIABILITIES		3,044,982	3,090,206
NET ASSETS		24,743,515	23,028,718
EQUITY			
Fair value reserve	15(a)	-	(95,933)
Financial assets at fair value through OCI reserve	15(b)	606,679	-
Development reserve	15(c)	96,618	96,618
Reserve acquired on gain of Tasmanian Deaf Society	15(d)	547,716	-
Retained earnings		23,492,502	23,028,033
TOTAL EQUITY		24,743,515	23,028,718

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to [Note 30](#)

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 2017

	Fair Value Reserves	Financial Assets at FVOCI Reserve	Development Reserve	Tasmanian Deaf Society Reserve	Retained Earnings	Total Equity
	\$	\$	\$		\$	\$
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
Reclassification on adoption of AASB9	95,933	(95,933)	-	-	-	-
Profit for the year	-	-	-	-	342,212	342,212
Reserve acquired on acquisition of Tasmanian Deaf Society	-	-	-	547,716	-	547,716
Changes in fair value of available-for-sale financial assets, net of tax	-	824,869	-	-	-	824,869
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	(122,257)	-	-	122,257	-
Total comprehensive income for the year	95,933	606,679	-	547,716	464,469	1,714,797
Balance as at 30 June 2017	-	606,679	96,618	547,716	23,492,502	24,743,515

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 2017

		Consolidated	
	Note	2017	2016
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from government and customers		12,678,039	11,168,773
Payments to suppliers and employees		(14,708,166)	(12,955,924)
Interest received		737,859	353,700
Dividends and distributions received		1,378,693	1,421,538
Donations, bequests and fundraising		657,590	583,862
Net cash provided by operating activities		744,015	571,949
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		48,600	128,000
Proceeds from sale of investments		2,851,373	2,246,579
Cash acquired in business combination	20	684,836	-
Payment for plant & equipment		(324,281)	(339,134)
Payment for intangibles		(98,539)	-
Payment for investments		(3,464,725)	(2,613,586)
Net cash used in investing activities		(302,736)	(578,141)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash held		441,279	(6,192)
Cash at the beginning of the financial year		250,786	256,978
Cash at the end of the financial year	4	692,065	250,786

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Victorian Deaf Society as 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*. 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 statement 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:

	2017	2016
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) Intangibles**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 Company 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.

The software is currently in development stage and amortisation will only commence when it is ready for use.

Notes to the Financial Statements

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

(e) 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.

(f) Impairment of assets

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

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. 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 current replacement cost.

(g) Taxes

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

(h) Employee benefits

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

(i) Provisions

Provision is made for the company's liability to provide interpreting services to Lake Park Aged Care Facility as per the contract of sale. Liabilities within one year have been provided for at their nominal amount. Liabilities greater than one year have been measured at the present value of the estimated future cash outflows to be made for interpreting needs. Other provisions are recognised where there is a constructive obligation as a result of a past event and a reliable estimate can be made of the obligation. In future years, the Society will consider any constructive obligations in light of AASB 15: *Revenue and Contracts with Customers* – Note 27.

(j) Financial instruments

Initial recognition and measurement

Financial assets – Policy applicable from 1 July 2016

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:

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

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

(j) Financial instruments (cont'd)

On initial recognition of an equity instrument that is not held for trading, the Society may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment –by-investment basis.

Equity 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. All other equity instruments are classified as current assets

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

Financial assets – Policy applicable before 1 July 2016

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 assets: Subsequent measurement and gains and losses – Policy applicable from 1 July 2016

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 subsequently 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.

Dividends are recognised as income in profit or loss as other income when the Society's right to receive payments is established.

Financial assets – Policy applicable before 1 July 2016

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)****(j) Financial instruments (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.

Financial liabilities – no change in policy**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.

Impairment**Policy applicable from 1 July 2016**

The Society assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

Policy applicable before 1 July 2016

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.

Notes to the Financial Statements

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

(j) Financial instruments (cont'd)

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.

(k) Comparatives

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

(l) Critical accounting estimates and judgements

Estimates and judgements are based on past performance and management's expectation for the future. The 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 (i), 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.

(m) 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.

n) 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.

Notes to the Financial Statements

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

(n) Goods and services tax (GST)

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.

(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.

(p) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Victorian Deaf Society) and its subsidiary (see Note 20). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(q) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

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

(q) Business combinations (cont'd)

consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The net assets of the acquiree have been recognised as a direct addition to equity in the statement of financial position of the acquirer at the date control is obtained.

2. TOTAL REVENUE AND OTHER INCOME

	2017 \$	2016 \$
Grants and fundraising		
Federal government grants	2,479,391	2,002,301
State government operating grants	3,530,565	3,612,974
Donations, bequests and fundraising	657,590	583,862
	<u>6,667,546</u>	<u>6,199,137</u>
Revenue		
Accommodation fees	62,178	56,684
Income from sale of goods	1,178,044	1,282,373
Income from services	4,302,735	3,476,144
Rent	34,211	37,097
Interest income	419,561	637,447
Dividend and distribution income	1,340,696	1,095,684
Sundry income	20,569	22,106
	<u>7,357,994</u>	<u>6,607,535</u>
Other income		
Loss from sale of plant and equipment	(80)	(7,903)
Profit from sale of investments	-	22,925
	<u>(80)</u>	<u>15,022</u>
Total revenue and other income	<u>14,025,460</u>	<u>12,821,694</u>

3. PROFIT FOR THE YEAR

Net profit has been determined after the following specific expenses;

Depreciation of non-current assets

- plant and equipment

Cost of sales of goods

Rent

Employee benefits

205,379	206,105
533,539	557,404
1,188,214	1,083,126
9,657,407	8,330,433

4. CASH AND CASH EQUIVALENTS

Cash at bank

Cash on hand

686,365	245,586
5,700	5,200

<u>692,065</u>	<u>250,786</u>
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5. TRADE AND OTHER RECEIVABLES

Current

Trade debtors

Impairment loss

Other receivables

494,539	499,214
(8,000)	(8,000)

<u>486,536</u>	<u>491,214</u>
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933,403	1,339,852
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<u>1,419,939</u>	<u>1,831,066</u>
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VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

5. TRADE AND OTHER RECIVABLES (cont'd)

(a) Provision for Impairment of Receivables

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

	\$
Provision for impairment as at 1 July 2015	8,000
- Charge for the year	-
- Written off	-
Provision for impairment as at 30 June 2016	8,000
- Charge for the year	-
- Written off	-
Provision for impairment as at 30 June 2017	8,000

6. INVENTORIES

Current

	2017 \$	2016 \$
Finished goods at cost	28,305	29,298

7. FINANCIAL ASSETS HELD IN TRUST

Current

Deposits	20,976	19,529
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8. OTHER ASSETS

Current

Prepayments	185,790	175,004
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9. FINANCIAL ASSETS

Non-current

Available-for-sale financial assets	-	23,149,313
Financial assets at fair value through OCI	24,587,534	-
	24,587,534	23,149,313

10. PLANT AND EQUIPMENT

Plant and equipment at cost	2,366,545	2,293,663
Accumulated depreciation	(1,645,557)	(1,629,735)
Total Plant and Equipment	720,988	663,928

Movements in Carrying Amounts

	Plant and Equipment \$
2017	
Balance at the beginning of the year	663,928
Additions	324,281
Additions due to business combinations	21,198
Reclassification to intangible assets	(34,361)
Disposals	(48,679)
Depreciation expense	(205,379)
Balance at the end of the year	720,988

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

11. INTANGIBLES

	2017 \$	2016 \$
Computer software - at cost	132,900	-
Accumulated amortisation	-	-
Net carrying amount	<u>132,900</u>	<u>-</u>

Movements in Carrying Amounts

	Intangible Assets \$
2017	
Balance at the beginning of the year	-
Additions	98,539
Reclassification from plant and equipment	34,361
Disposals	-
Amortisation expense	-
Balance at the end of the year	<u>132,900</u>

12. TRADE AND OTHER PAYABLES

	Note	2017 \$	2016 \$
Current			
Trade creditors		284,277	442,613
Accrued expenses and other payables		367,041	196,495
Income received in advance		141,489	120,183
		<u>792,807</u>	<u>759,291</u>

Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables			
- Total current		<u>792,807</u>	<u>759,291</u>
		792,807	759,291
Less: Income received in advance		(141,489)	(120,183)
Financial liabilities as trade and other payables	25	<u>651,318</u>	<u>639,108</u>

13. PAYABLES – HELD IN TRUST

Current			
Clients' trust funds		<u>20,976</u>	<u>19,529</u>

14. PROVISIONS

Current			
Employee benefits		1,330,603	1,179,792
Interpreting - Regis		60,000	60,000
Special projects		366,085	546,433
		<u>1,756,688</u>	<u>1,786,225</u>
Non-current			
Employee entitlements		116,539	113,493
Interpreting - Regis		357,972	411,668
		<u>475,511</u>	<u>525,161</u>

Notes to the Financial Statements

14. PROVISIONS (cont'd)

	Employee Benefits \$	Interpreting – Regis \$	Special Projects \$	Total \$
Analysis of total provisions:				
Balance at 1 July 2016	1,293,285	471,668	546,433	2,311,386
Additional provision raised during the year	716,102	-	242,027	958,129
Amounts used	(562,245)	(53,696)	(422,375)	(1,038,316)
Balance at 30 June 2017	1,447,142	417,972	366,085	2,231,199

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(h).

Provision for special projects represents amounts accrued where the Society recognises a constructive obligation to provide outcomes as a result of grant income being provided for a specific purpose in a prior year. These projects are classified as current but there is uncertainty with the timing of subsequent outlays.

15. RESERVES AND RETAINED EARNINGS

(a) Fair value reserve

The investment revaluation reserve is used to record unrealised gains/(losses) in investments under AASB 139.

(b) Financial assets at FVOCI reserve

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

(c) Development reserve

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

(d) Reserves acquired on acquisition of 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.

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

16. CAPITAL AND LEASING COMMITMENTS

	2017 \$	2016 \$
(a) Operating lease commitments as lessee		
Commitments for non-cancellable operating leases are payable as follows:		
Payable		
- not later than one year	848,284	760,180
- later than one year and not later than five years	231,578	351,007
	<u>1,079,862</u>	<u>1,111,187</u>

(b) Capital commitments

The Society has no capital commitments at the 30th June 2017 other than computer software development of \$217,000.

17. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- an audit of the financial report	36,000	26,000
- other services in relation to the entity	14,000	16,750
	<u>50,000</u>	<u>42,750</u>

Other services to the auditor were in relation to strategic risk reviews.

18. RELATED PARTY TRANSACTIONS

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

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

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

19. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation	1,260,210	1,168,526
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20. CONTROLLED ENTITY

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 to the Tasmanian community. The assets and liabilities of Tasmanian Deaf Society were incorporated into the 30 June 2017 year at fair value. The financial effect of this transaction was brought to account on 1 July 2016.

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

	\$
Cash and cash equivalents	684,836
Trade and other receivables	7,414
Inventories	10,586
Plant and equipment	21,198
Total Assets	<u>724,034</u>
Trade and other payables	87,465
Provisions	58,764
Unspent grants	30,089
Total Liabilities	<u>176,318</u>
Net Assets	<u>547,716</u>
Retained earnings	<u>547,716</u>
Total Equity	<u>547,716</u>

Notes to the Financial Statements

21. EVENTS OCCURRING AFTER REPORTING DATE

There were no significant events occurring after balance date.

22. 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 2017, approximately 43% or \$6,009,956 (2016 - 44% or \$5,615,275) of the Society's revenue was sourced from the Federal and Victorian State Governments.

23. 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 2016, the fund had a notional excess in assets of \$29,121. The Fund Trustee is yet to determine the position for 30 June 2017; Victorian Deaf Society could be liable for any shortfall.

24. 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.

25. 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	2017 \$	2016 \$
Financial assets			
Financial assets not measured at fair value:			
<i>Amortised cost:</i>			
Trade and other receivables	5	1,419,939	-
Financial assets held in trust	8	20,976	-
<i>Loans and receivables</i>			
Trade and other receivables	5	-	1,831,066
Financial assets held in trust	7	-	19,529
Financial assets measured at fair value:			
Cash and cash equivalents	4	692,065	250,786
Available-for-sale financial assets	9	-	23,149,313
Financial assets at fair value through OCI	9	24,587,534	-
Total financial assets		<u>26,720,514</u>	<u>25,250,694</u>
Financial liabilities			
- trade and other payables	12	651,318	639,108
- payables – held in trust	13	20,976	19,529
Total financial liabilities		<u>672,294</u>	<u>658,637</u>

Refer to Note 26 for detailed disclosures regarding the fair value measurement of the Society's financial assets and financial liabilities.

Notes to the Financial Statements

26. FAIR VALUE MEASUREMENTS

The Society has the following assets that are measured at fair value on a recurring basis after their initial recognition. The Society 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. For other financial assets and liabilities, the carrying amount is a reasonable approximation of fair value.

	2017 \$	2016 \$
Recurring fair value measurements		
<i>Financial assets</i>		
Financial assets at fair value through OCI	24,587,534	-
Available-for-sale financial assets	-	23,149,313

- (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.

27. 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*).

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.

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

Notes to the Financial Statements

27. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (cont'd)

- 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 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.

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

- 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 entity 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. An entity 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.

Notes to the Financial Statements

28. EARLY ADOPTION AASB 9: FINANCIAL INSTRUMENTS

The Society has decided to early adopt AASB 9: *Financial Instruments* as issued in December 2015 for the first time with a date of initial application of 1 July 2016. This resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9(7.2.15), comparative figures have not been restated.

The key changes to the Society's accounting policies resulting from its adoption of AASB 9 are summarised below.

(a) Classification of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available-for-sale.

For an explanation of how the Society classifies and measures financial assets and accounts for related gains and losses under AASB 9, see note 1(j).

The adoption of AASB 9 has not had a significant effect on the Society's accounting policies for financial liabilities.

(b) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applied to financial assets measured at amortised cost, contract assets and debts investments at FVOCI, but not to investment's in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 9 – see note 1(j).

(c) Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except for the assessment on the designation of investments in equity instruments not held for trading as at FVOCI has been made on the basis of the facts and circumstances that existed at the date of initial application.

(d) Classification and measurement of financial instruments

The following table shows the original classification categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Society's financial assets and financial liabilities as at 1 July 2016.

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$	New carrying amount under AASB 9 \$
1 July 2016					
Financial assets					
Trade and other receivables	5	Loans and receivables	Amortised cost	1,831,066	1,831,066
Financial assets held in trust	7	Loans and receivables	Amortised cost	19,529	19,529
Available-for-sale financial assets	9	Available-for- sale	FVOCI – equity instrument	23,149,313	23,149,313
Total financial assets				<u>24,999,908</u>	<u>24,999,908</u>

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

28. EARLY ADOPTION AASB 9: FINANCIAL INSTRUMENTS (cont'd)

Cash and cash equivalents are held at fair value with no changes in its carrying amount under AASB 139 and AASB 9.

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$	New carrying amount under AASB 9 \$
1 July 2016					
Financial liabilities					
Trade and other payables	12	Other financial liabilities	Other financial liabilities	639,108	639,108
Payables – held in trust	13	Other financial liabilities	Other financial liabilities	19,529	19,529
Total financial liabilities				658,637	658,637

The Society's accounting policies on the classification of financial instruments under AASB 9 are set out in Note 1(j). The application of these policies resulted in the reclassifications set out in the table above and explained below.

These equity instruments represent investments that the Society intends to hold for the long term for strategic purposes. As permitted by AASB 9, the Society has designated these investments at the date of initial application as measured at FVOCI.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost.

The following table reconciles the carrying amounts of financial assets under AASB 139 to the carrying amounts under AASB 9 on transition to AASB 9 on 1 July 2016. There are no changes in the carrying amount of financial assets at amortised cost as at 30 June 2016.

Financial Assets

	Available- for-sale \$	Loans and receivables \$	FVOCI \$	At amortised cost \$	Total \$
Financial assets					
Carrying amount as at 30 June 2016 – AASB 139	23,149,313	2,101,381	-	-	25,250,694
Reclassification due to AASB 9 transition:					
To FVOCI – equity	(23,149,313)	-	23,149,313	-	-
To amortised cost	-	(2,101,381)	-	2,101,381	-
Subtotal - reclassification	(23,149,313)	(2,101,381)	23,149,313	2,101,381	-
Remeasurement due to AASB 9 transition	-	-	-	-	-
Carrying amount as at 1 July 2016 – AASB 9	-	-	23,149,313	2,101,381	23,149,313
Impact on retained earnings	-	-	-	-	-

VICTORIAN DEAF SOCIETY AND CONTROLLED ENTITY

Notes to the Financial Statements

28. EARLY ADOPTION AASB 9: FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities

	Trade and other payables \$	Total \$
Carrying amount as at 30 June 2016 – AASB 139	638,637	658,637
Reclassification due to AASB 9 transition to amortised cost	-	-
Remeasurement due to AASB 9 transition	-	-
Carrying amount as at 1 July 2016 – AASB 9	<u>658,637</u>	<u>658,637</u>
Impact on retained earnings	<u>-</u>	<u>-</u>

The impact on the Society's equity is as follows:

	Fair value reserve \$	FVOCI reserve \$	Total \$
Carrying amount as at 30 June 2016 – AASB 139	(95,933)	-	(95,933)
Reclassify investments from available-for-sale to FVOCI	95,933	(95,933)	-
Remeasurement due to AASB 9 transition	-	-	-
Carrying amount as at 1 July 2016 – AASB 9	<u>-</u>	<u>(95,933)</u>	<u>(95,933)</u>

As a result of reclassifying available-for-sale investments to FVOCI, the fair value losses of \$95,933 were reclassified from the fair value reserve to FVOCI reserve on 1 July 2016. Other income for the 2017 financial year was \$122,257 lower as there is no longer any recycling through the profit or loss when the investments are disposed of. However, these amounts are reclassified within equity.

(e) Impairment of financial assets

The Society has trade receivables subject to AASB 9's new expected credit loss model. There is no impact of the change in impairment methodology on the Society's equity.

29. PARENT ENTITY INFORMATION

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

	2017 \$	2016 \$
Summarised Financial Position		
Total current assets	2,347,075	2,305,683
Total assets	27,240,781	26,118,924
Total current liabilities	2,570,471	2,565,045
Total liabilities	3,044,982	3,090,206
Net assets/Total equity	24,195,799	23,028,718
Summarised Financial Performance		
Profit or loss for the year	342,212	445,513
Total comprehensive income	1,168,081	(137,931)
Guarantees entered into by parent entity	Nil	Nil
Contingent liabilities	Nil	Nil
Contractual commitments	Nil	Nil

Notes to the Financial Statements

30. CORRECTION OF ERROR

The Society has corrected the classification of financial assets from a current to non-current asset as they are not held for trading and are not expected to be realised within 12 months. As a consequence, financial assets had been incorrectly accounted for as current assets. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial position

	Impact of correction of error		
	As previously reported	Adjustments	As restated
1 July 2015			
	\$	\$	\$
Current assets	25,517,798	(23,342,825)	2,174,973
Non-current assets	666,802	23,342,825	24,009,627
30 June 2016			
	\$	\$	\$
Current assets	25,454,996	(23,149,313)	2,305,683
Non-current assets	663,928	23,149,313	23,813,241

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 29, 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 2017 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 29th day of August 2017

INDEPENDENT AUDITOR'S REPORT TO VICTORIAN DEAF SOCIETY

Opinion

We have audited the financial report of Victorian Deaf Society ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence 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 comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors 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 the 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 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 judgement and maintain professional scepticism throughout the audit.

We 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.

We 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.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the director's 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.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 30 August 2017