



ABN 12 345 678 901

Annual Report - 30 June 2018

**Melbourne City Mission
Directors' report
30 June 2018**

Your Directors submit their report for the year ended 30 June 2018.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period, unless otherwise stated.

Di McDonald (Chair)	
Roslyn Otzen (Deputy Chair)	Resigned November 2017
Catherine McGovern	
John Jeffreys	
Caitlin MacLeod	
Paul Scroope	
Leonie Boxtel (Deputy Chair from November)	
Andrew Douglas	Resigned April 2018
Sean O'Donnell	Resigned July 2018
Joe Carbone	
Jonathan Mortimer	Appointed June 2018
Marion Hemphill	Appointed August 2018

Information on directors

Name: Di McDonald (Chair)
 Title: A member of the Board since 2011; appointed Chair, January 2016.
 Qualifications: B.App.Sc, Grad. Dip. Education, Grad. Dip. Rehabilitation, Grad. Dip. Bus. Mgt., M.Mgt. (Organisational Systems), MAICD.
 Experience and expertise: Di has an extensive background, and held senior leadership roles, in the fields of healthcare, disability, management and occupational health and safety. She is an experienced Board and Advisory Board member, in both Executive and Non – Executive positions, in privately owned and NFP sectors; is currently a board member of the Hester Hombrook Academy and Chair of the Law and Advocacy Centre for Women (LACW).

Name: Roslyn Otzen (Deputy Chair)
 Title: A member of the Board since 2008; appointed Deputy Chair September 2014; retired November 2017.
 Qualifications: BA (Hons), B Ed, PhD, ASDA.
 Experience and expertise: Roslyn, an educationist, was Principal of Korowa Anglican Girls' School from 1991 – 2003. She is immediate past President of the Alumni Council of the University of Melbourne and Patron of Calisthenics Victoria Inc.
 Special responsibilities: Member of the Nominations and Remuneration Committee and the Board Strategy Oversight Committee.

Name: Catherine McGovern
 Title: A member of the Board since 2010.
 Qualifications: BEc (Hons), B.Theol, GAICD.
 Experience and expertise: Catherine has nearly twenty years' experience in the health service and social policy environment, both in Australia and Europe. Prior to working in health, Catherine's experience was in merchant banking and she was also a ministerial adviser in the Howard Government. Catherine is Principal of Evaluate Consulting, consulting in health, social policy and economics. She is a graduate member of the Australian Institute of Company Directors and a member of Medicines Australia's Advisory Council.
 Special responsibilities: Chair of the Board Quality Safety & Risk Committee and Member of the Nominations and Remuneration Committee.

Name: John Jeffreys
Title: A member of the Board since 2013.
Qualifications: FCPA, GAICD.
Experience and expertise: John is an experienced senior Finance Executive and Company Director having worked in the mining, service and manufacturing industries. John is a graduate of the Institute of Company Directors. John has been actively involved in community activities including the Lord's Taverners and The Jean Hailes Foundation and is a Board member of OSCA Collegians.
Special responsibilities: Chair of the Board Nominations & Remuneration Committee and Member of the Board Finance Investment & Audit Committee.

Name: Caitlin MacLeod
Title: A member of the Board since November 2013.
Qualifications: BA (Hons), LLB, MSC, GDLP.
Experience and expertise: Caitlin has extensive experience in financial regulation in the UK, Australia and Africa, and currently consults to firms in the financial services industry in the areas of strategy, risk management and regulatory compliance. She also co-founded Pivot, an ed-tech company currently used by over 500 Australian schools. Caitlin's previous experience is as a commonwealth public servant in the Department of Finance and Administration and the Department of the Prime Minister and Cabinet. She has over 15 years Board experience and is a past Chair of the YWCA (ACT). Caitlin returned from maternity leave to the MCM board in May 2018.
Special responsibilities: Member of the Board Finance Investment & Audit Committee.

Name: Paul Scroope
Title: A member of the Board since October 2014.
Qualifications: B. Bus. Accounting, Grad. Dip. Business Management, Masters Organisational Systems, FCPA, FCIMA, MAICD.
Experience and expertise: Paul is an experienced board member and a senior executive with 30 years' experience in the commercial and not-for-profit sectors including executive positions with the Australian Red Cross Blood Service, the CSIRO, Fujitsu Australia and Therapeutic Innovations Australia. He also serves on the boards of the Hester Hornbrook Academy and the CRC Cancer Therapeutics (CTx). He is a member of the Chartered Global Management Accountants and has skills in finance, governance, compliance and risk.
Special responsibilities: Chair of the Board Finance Investment & Audit Committee.

Name: Leonie Boxel
Title: A member of the Board since October 2014, appointed Deputy Chair November 2017
Qualifications: B Arts (Hons), M. Bus. (Marketing), MAICD.
Experience and expertise: Leonie is Director of Alumni & Philanthropy at RMIT University. She has worked in executive and senior management roles in government, non-profit and education sectors. Leonie has extensive experience in stakeholder relations, marketing, strategy development and fundraising in Australia and the Asian region and is a strong proponent of developing cultural intelligence to work effectively in a globalised world.
Special responsibilities: Member of the Nominations and Remuneration Committee, Chair of the Board Strategy Oversight Committee

Name: Andrew Douglas
Title: A member of the Board since February 2016; resigned April 2018.
Qualifications: B Law (Hons), Grad. Dip. Corporate Security Law, Hon. Fellow Safety Institute of Australia.
Experience and expertise: Andrew is the National Practice Group Head of Workplace Relations and member of the Executive for Macpherson Kelley Lawyers in Victoria as well as being a National Principal. He is the Managing Director of Finding Heart Pty Ltd (a strategic management business). Andrew is a leading author in workplace law, speaker throughout Australia, Asia and New Zealand and is a commentator on workplace issues in the Age, Australian, Smart Company and other paper and digital media outlets.
Special responsibilities: Member of the Nominations & Remuneration Committee and Member of the Strategy Oversight Committee.

Name: Sean O'Donnell
Title: A member of the Board since March 2017; resigned July 2018.
Qualifications: MBA, B.Bus. (Hosp Man), Dip Fin Adv, FFin, FACP, MAICD.
Experience and expertise: Sean has over 30 years' experience in Banking and Information Technology. He has executive leadership experience in Retail Banking, Business Banking, Corporate Banking and Credit Risk. Sean has most recently led IBM engagements in the Banking industry in spheres of Cognitive Computing, Big Data, Robotics, AI and Blockchain.
Special responsibilities: Member of the Board Quality Safety & Risk Committee.

Name: Joe Carbone
Title: A member of the Board since June 2017.
Qualifications: BHA (Health Administration), GAICD.
Experience and expertise: Joe is an experienced Chief Executive and independent advisor. He has been a senior leader in Health Care, Local Government and Retail/Manufacturing over a span of 36 years. His leadership focus through eras of industry reform has been on empowering organisations to chase innovation and continuous improvement in the context of value creation for stakeholders and consumers. Joe is a former Board Director of Health Purchasing Victoria and his consulting interest is in transformation leadership for disruptive times.
Special responsibilities: Member of the Board Finance Investment & Audit Committee and member of the Board Quality Safety & Risk Committee

Name: Jonathan Mortimer
Title: A member of the Board since June 2018
Qualifications: BA Hons, LLM, MPubPol
Experience and expertise: Jonathan has more than twenty years professional experience including as a practising lawyer, leading a risk management team within the financial sector and developing public policy. His most recent role was as Head of Risk for a large Australian Superannuation Fund. He is a member of the Board Quality Committee and Clinical Quality Committee at the Royal Victorian Eye and Ear Hospital. Jonathan is admitted to legal practice in Australia, and called to the bar of England and Wales.

Name: Marion Hemphill
Title: A member of the board since August 2018
Qualifications: LLB (Hons)
Experience and expertise: Marion is a lawyer who has held senior counsel roles in the not-for-profit and government sectors and worked in top tier law firms in Australia, London and New Zealand. Marion is skilled and experienced in commercial negotiations, governance, compliance and government relations. Marion is a proponent of focusing on compliance, risk and ethics as a fundamental step to achieving strategic goals.

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Company secretary

Jacque Scales
CGIA

Company Secretary appointed 30 August 2017

Jacque brings extensive experience to the role, having supported boards and senior executives in both the corporate and not-for-profit sectors for over 13 years; more recently as Company Secretary.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Board Finance Investment & Audit		Board Quality, Safety & Risk Committee		Board Nominations & Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
Caitlin MacLeod	2	2	-	-	-	-	-	-
Catherine McGovern	9	13	-	-	4	4	3	4
Di McDonald	13	13	2	4	2	4	3	4
John Jeffreys	12	13	4	4	-	-	4	4
Leonie Boxtel	11	13	-	-	1	2	3	3
Paul Scroope	12	13	4	4	-	-	-	-
Roslyn Otzen	3	4	-	-	1	2	-	1
Andrew Douglas	6	10	-	-	-	-	1	2
Sean O'Donnell	9	13	-	-	3	4	-	-
Joe Carbone	11	13	4	4	2	2	-	-

Eligible: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Objectives

Melbourne City Mission exists so that people can lead positive lives - their best future, their way. We work with people at risk of poor outcomes. Our innovative services prevent and disrupt progression to greater and different forms of disadvantage throughout people's lives. In a rapidly changing environment for the not for profit sector, our organisation is guided by our five year strategy (2017-2022).

Our short term objectives include:

- The Hester Hornbrook Academy opened in 2017. The Academy delivers quality education programs in a high support flexible learning environment. With 200 students who have overcome historical barriers to their education progress now actively working towards their VCAL, the Academy is proud of what it has achieved in two years, and excited about the potential in the next five years.
- Transforming our disability services and enhancing our capabilities to respond to the implementation of the NDIS.
- Delivering our innovative new model of Youth Refuge to address the complex needs of an extremely disadvantaged group of young people not currently serviced by the homelessness system or other inter-related systems.
- Establishing pre-and post release services at the new Ravenhall prison so that people exiting the justice system are supported in securing housing, education and employment to reconnect with their communities.

Our longer term strategic goals include:

- Maximising our impact: We will grow our services to respond to areas of unmet community need.
- Profit for Purpose: We will ensure we create a financially sustainable business able to respond to marketisation of social services.

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- Innovation: We will create new disruptive models that improve the lives of people at risk of poor outcomes.

MCM creates an overarching business plan to manage and monitor our annual objectives, the CEO and managers have a set of Key Performance Indicators to work towards that are regularly reported against and assessed.

Principal activities

The principal activities of Melbourne City Mission during the course of the financial year were:

- Home and Residential Care based Palliative Care;
- Disability Services;
- Employment, Education and Early Years; and
- Homelessness and Justice Programs.

There was no significant change in the nature of the principal activities during the financial year.

Events Subsequent to Balance Date

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Future Developments

Melbourne City Mission will embark on a growth strategy across Victoria, focused on supporting those experiencing, or at imminent risk of, the most severe disadvantage.

Environmental Issues

Melbourne City Mission has determined that there are no significant environmental regulations that apply to its operations.

Directors' Benefits

No Director of Melbourne City Mission has received any remuneration or other benefit by way of contract with Melbourne City Mission either directly or via related corporations in which they have a substantial financial interest.

Indemnity and Insurance Of Directors and Auditors

During the financial year, the Department of Human Services met all the costs of insuring all Directors, past and present, against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of Melbourne City Mission.

Risk Management

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the company's objectives and activities are aligned with the risks and opportunities identified by the Board. Careful management of available resources is required to ensure the ongoing provision of services and financial sustainability of the organisation.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under the Australian Charities and Not-for-Profits Commission Act 2012 is set out in this report.

This report is made in accordance with a resolution of the board;



Di McDonald
Chairperson



Paul Scroope
Director

31 October 2018

Auditor's Independence Declaration under S 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of Melbourne City Mission

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been:

- 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
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

C.L. Siddles

C.L. Siddles
Director

Dated this 31st day of October, 2018

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Melbourne City Mission
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General information

The financial statements cover Melbourne City Mission as a consolidated entity consisting of Melbourne City Mission and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Melbourne City Mission's functional and presentation currency.

Melbourne City Mission is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 October 2018. The directors have the power to amend and reissue the financial statements.

Melbourne City Mission
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Revenue	3	69,804,257	59,381,052
Total revenue		<u>69,804,257</u>	<u>59,381,052</u>
Expenses			
Aged Services		-	(10,402)
Disability Services		(24,266,856)	(21,008,874)
Homelessness & Justice Services		(15,999,323)	(12,698,830)
Employment, Education and Early Years		(12,349,708)	(10,827,794)
Palliative Care Services		(4,294,516)	(4,451,054)
Corporate Administration		(12,642,884)	(10,137,774)
Fundraising and Public Information		(2,578,620)	(1,639,934)
Total expenses		<u>(72,131,907)</u>	<u>(60,774,662)</u>
Operating deficit		(2,327,650)	(1,393,610)
Capital Grants	3	1,219,304	157,501
Investment Revenue	3	1,240,578	1,252,245
Bequests	3	115,615	823,957
Capital Appeal	3	1,500,000	93,000
Work Cover Refund	3	-	467,559
Write off of Non Current Assets		(994,473)	(323,917)
Net Profit on Sale of Non Current Assets	3	46,796	102,454
Net Profit on Sale of Investments	3	365,124	414,808
Surplus for the year		1,165,294	1,593,997
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain/(Loss) on the revaluation of available for sale financial assets		1,262,203	1,790,276
Transferred realised gain to profit on sale of investments		(256,363)	(470,921)
Other comprehensive income for the year		<u>1,005,840</u>	<u>1,319,355</u>
Total comprehensive income for the year		<u><u>2,171,134</u></u>	<u><u>2,913,352</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of financial position
As at 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	11,126,567	7,246,379
Trade Receivables & Prepayments	6	6,020,526	5,044,185
Available for Sale Financial Assets	7	22,608,704	20,836,151
Total current assets		<u>39,755,797</u>	<u>33,126,715</u>
Non-current assets			
Property, Plant and Equipment	8	11,592,685	12,920,495
Externally Funded Property, Plant and Equipment	9	299,218	317,580
Intangibles	10	1,324,465	1,744,584
Other	11	1,603,733	1,683,407
Total non-current assets		<u>14,820,101</u>	<u>16,666,066</u>
Total assets		<u>54,575,898</u>	<u>49,792,781</u>
Liabilities			
Current liabilities			
Trade and Other payables	12	7,314,409	5,110,086
Employee Benefits	13	4,798,091	4,341,675
Other Current Liabilities	14	5,506,717	5,335,626
Total current liabilities		<u>17,619,217</u>	<u>14,787,387</u>
Non-current liabilities			
Deferred Lease Liability	15	1,978,890	2,072,188
Employee Benefits	16	1,127,418	1,235,604
Capital Grants Liability	17	299,218	317,581
Total non-current liabilities		<u>3,405,526</u>	<u>3,625,373</u>
Total liabilities		<u>21,024,743</u>	<u>18,412,760</u>
Net assets		<u>33,551,155</u>	<u>31,380,021</u>
Equity			
Reserves	18	5,381,331	1,288,491
Retained surpluses		<u>28,169,824</u>	<u>30,091,530</u>
Total equity		<u>33,551,155</u>	<u>31,380,021</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Capital Appeal Reserve \$	Financial Asset Reserve \$	Retained Surplus \$	Total equity \$
Balance at 1 July 2016	-	(391,422)	28,858,091	28,466,669
Surplus for the year	-	-	1,593,997	1,593,997
Other comprehensive income for the year	-	1,319,355	-	1,319,355
Total comprehensive income for the year	-	1,319,355	1,593,997	2,913,352
Transfer (to)/from reserve	360,558	-	(360,558)	-
Balance at 30 June 2017	360,558	927,933	30,091,530	31,380,021

Consolidated	Capital Appeal Reserve \$	Financial Asset Reserve \$	Retained Surplus \$	Total equity \$
Balance at 1 July 2017	360,558	927,933	30,091,530	31,380,021
Surplus for the year	-	-	1,165,294	1,165,294
Other comprehensive income for the year	-	1,005,840	-	1,005,840
Total comprehensive income for the year	-	1,005,840	1,165,294	2,171,134
Transfer (to)/from reserve	3,087,000	-	(3,087,000)	-
Balance at 30 June 2018	3,447,558	1,933,773	28,169,824	33,551,155

The above statement of changes in equity should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Cash flows from operating activities			
Government Subsidies and Grants Received		56,472,012	51,743,753
Payments to suppliers and employees (inclusive of GST)		(71,232,613)	(64,755,191)
Fees from Clients		5,966,548	2,903,697
Receipts from Customers		4,085,102	4,337,917
Capital Grants and Donations		5,840,276	5,591,095
Dividends received		1,178,403	881,948
Interest received		114,114	187,628
Net cash from operating activities		<u>5,047,316</u>	<u>890,847</u>
Cash flows from investing activities			
Payments for investments		(2,940,788)	(9,433,283)
Payments for property, plant and equipment		(1,045,360)	(1,817,895)
Proceeds from disposal of investments		2,539,199	8,491,356
Proceeds from disposal of property, plant and equipment		281,315	432,611
Proceeds from release of security deposits		-	145,537
Net cash used in investing activities		<u>(1,165,634)</u>	<u>(2,181,674)</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,881,682</u>	<u>(1,290,827)</u>
Cash and cash equivalents at the beginning of the financial year		<u>7,244,167</u>	<u>8,534,994</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>11,125,849</u></u>	<u><u>7,244,167</u></u>

For the purpose of the cash flow statement, residents and clients trust funds have not been included amounting to \$718 (2017: \$2,212)

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Summary of Significant Accounting Policies

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012 and associated regulations and the Corporations Act 2001, as appropriate for not-for profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melbourne City Mission ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Melbourne City Mission and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Revenue Recognition

Government Income

Income from the Government, which is of a recurrent or capital nature and is intended to fund the ongoing operations or asset acquisition of the Company is recognised in accordance with the principles set out in AASB 1004 'Contributions when Melbourne City Mission obtains control of the revenue or the right to receive the revenue.

Dividends and Imputation Credit

Dividends and Imputation Credit is taken into the Statement of Profit or Loss when declared.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

Donation

Donations are recognised as income when the donations are received unless Melbourne City Mission has not met its specific obligations.

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value. For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank, excluding resident and client cash, at-call deposits, term deposits with a maturity of 90 days or less, and which are subject to an insignificant risk of changes.

Trade Receivables and Prepayments

Trade receivables were recognised and carried at original value less an allowance for uncollectible amounts. Receivables from residents and clients are on 30-day terms. Collectability of trade receivables is reviewed on an ongoing basis.

Other Financial Assets

Melbourne City Mission classifies its investment in the following categories: Available for sale financial assets and Held to maturity investments. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available For Sale Financial Assets

Available for sale financial assets consist of marketable listed securities. Purchases and sales of investments are recognised on 'trade-date', the date on which Melbourne City Mission commits to purchase or sell the assets. Assets are initially recognised at cost plus transaction costs, which is the fair value of the financial assets at the time of acquisition. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. Gains and losses in the value of available for sale financial assets are required by AASB 139 to be recognised directly to the asset revaluation reserve.

Upon disposal of these financial assets, the applicable revaluation balances are transferred to the Statement of Profit or Loss.

Held to Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when Melbourne City Mission has the positive intention and ability to hold the financial asset to maturity. Investments intended to be held for an undefined period are not included in this classification. Held to maturity investments such as Bank Bills are valued at face value on acquisition date. Term Deposits are valued at cost. At maturity date, interest forms part of the principal amount and is reinvested for a determined term.

Externally Fund Assets

Non-current assets which have been funded by specific purpose grants from Government Departments, and which may be required to be returned to the funding body in the event of the closure of that program, for which the funding was given, are accounted for separately from assets which are the property of Melbourne City Mission. These assets are disclosed as externally funded assets in the Statement of Financial Position. A Capital Grants Liability at an amount equal to the written down value of these assets, is classified as a liability owing to the funding provider.

Property, Plant and Equipment

Classes of Property, Plant and Equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation is provided on a straight-line basis over the estimated useful life on all tangible assets including externally funded assets as follows:

Buildings	50 years
Building Development	20 years
Improvements & Renovations	10 years
Furniture & Fittings	10 years
Plant & Machinery, Computer Equipment	5 years
Motor Vehicles	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Impairment

The carrying values of Plant and Equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired. An impairment may exist when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of plant and equipment is the higher of fair value less costs to sell, and 'value in use'. When an impairment in value exists, the asset is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Statement of Profit or Loss.

Payables and Other Creditors

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. These amounts, which are non-interest bearing, unsecured, and are generally settled in 30-day terms, are valued at cost.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liability is settled.

Provisions made in respect to long service leave, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience on employee departures and periods of service. Expected future payments are discounted using market yield at the reporting date based on government guaranteed securities, which have terms to maturity approximating to the terms of the related liability.

Employee benefit expenses and revenues arising in respect of the wages and salaries, annual leave, long service leave and the related on-costs (superannuation and workcover premium) are charged against profits on a net basis in their respective categories.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax Revenues, expenses and assets are recognised net of the amount of GST except receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Note 1. Summary of Significant Accounting Policies (continued)

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office.

Expense Classification and Treatment

Expenses are classified in the Statement of Profit or Loss based on the programs provided by Melbourne City Mission and include details of specific support functions, which underpin the delivery of quality services. Expenses are accounted for on an accrual basis.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Classification and valuation of investments

The company has decided to classify investments in listed securities as 'available for sale' financial assets and movements in fair value are recognised directly in equity through other comprehensive income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 3. Revenue

	Consolidated	
	2018	2017
	\$	\$
Operating Revenue		
Local Government	665,318	675,638
State and Federal Government	56,515,603	49,208,087
Fees from Clients	5,517,231	2,818,735
Donations	2,854,202	1,773,501
Trusts	151,155	494,109
Sundry Revenue	4,074,005	4,376,637
Insurance Claim Income	26,743	34,345
Total Operating Revenue	<u>69,804,257</u>	<u>59,381,052</u>
Other Revenue		
Insurance Claim Income	-	34,345
WorkCover Refund	-	467,559
Net Profit on Sale of Non-current Assets	46,796	102,454
Net Profit on Sales of Investment	365,124	414,807
Capital Grants	1,219,304	157,500
Interest Revenue	91,800	147,903
Dividend Revenue	1,148,778	1,109,534
Bequests	115,615	823,957
Capital Appeal	1,500,000	93,000
Total Other Revenue	<u>4,487,417</u>	<u>3,351,059</u>
Total Revenue	<u>74,291,674</u>	<u>62,732,111</u>

Note 4. Expenses

Operating (Deficit)/Surplus is arrived at after charging the following:

	Consolidated	
	2018	2017
	\$	\$
a) Depreciation and Amortisation		
Depreciation - Freehold Buildings	50,059	38,460
Depreciation - Improvements	916,827	827,825
Depreciation - Motor Vehicles	177,221	136,286
Depreciation - Fixtures, Plant and Equipment	115,138	133,082
Amortisation - Lease Incentive	45,456	45,456
Amortisation - Computer Software	277,958	48,482
Total Depreciation and Amortisation	<u>1,582,659</u>	<u>1,229,591</u>

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 4. Expenses (continued)

	Consolidated	
	2018	2017
b) Employee Benefits Expense		
Wages and Salaries	45,704,433	38,342,417
Workers' Compensation Costs	1,184,743	1,170,818
Superannuation Costs	3,970,249	3,367,804
Annual Leave Provision	323,595	147,003
Long Service Leave Provision	33,426	136,380
	<u>51,216,446</u>	<u>43,164,422</u>

Note 5. Cash and cash equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash	3,202,315	1,537,606
Term Deposits	1,000,000	2,000,000
Deposits at Call	6,923,534	3,706,561
Residents and Clients	718	2,212
	<u>11,126,567</u>	<u>7,246,379</u>

Note 6. Trade Receivables & Prepayments

	Consolidated	
	2018	2017
	\$	\$
Trade receivables	2,299,458	566,730
Less: Provision for impairment of receivables	(190,118)	-
	<u>2,109,340</u>	<u>566,730</u>
Sundry Debtors	3,095,191	2,899,266
Security Bond	18,573	18,573
Other Prepayments	580,457	413,613
Dividend Imputation Credit	216,965	1,146,003
	<u>3,911,186</u>	<u>4,477,455</u>
	<u>6,020,526</u>	<u>5,044,185</u>

(i) Dividend Imputation Credit is non-interest bearing and is claimed annually from the Australian Taxation Office.

(ii) Trade Receivables are non-interest bearing and are generally settled on 30-day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Note 7. Available for Sale Financial Assets

	Consolidated	
	2018	2017
	\$	\$
Listed securities - designated as available-for-sale	<u>22,608,704</u>	<u>20,836,151</u>

There are no individually material investments.

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 8. Property, Plant and Equipment

	Consolidated	
	2018	2017
	\$	\$
Land and buildings - at cost	4,295,774	4,295,774
Less: Accumulated depreciation	<u>(1,142,588)</u>	<u>(1,104,667)</u>
	<u>3,153,186</u>	<u>3,191,107</u>
Freehold improvements - at cost	11,769,196	12,956,932
Less: Accumulated depreciation	<u>(4,000,601)</u>	<u>(3,822,926)</u>
	<u>7,768,595</u>	<u>9,134,006</u>
Fixtures, Plant and Equipment- at cost	1,114,366	761,336
Less: Accumulated depreciation	<u>(528,823)</u>	<u>(544,267)</u>
	<u>585,543</u>	<u>217,069</u>
Motor vehicles - at cost	435,708	793,203
Less: Accumulated depreciation	<u>(350,347)</u>	<u>(414,890)</u>
	<u>85,361</u>	<u>378,313</u>
	<u><u>11,592,685</u></u>	<u><u>12,920,495</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land \$	Buildings \$	Improvement/ Development \$	Fixtures, Plant and Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2017	2,399,750	791,357	9,134,006	217,069	378,313	12,920,495
Additions	-	-	449,108	553,113	-	1,002,221
Disposals	-	-	(112,564)	-	(121,955)	(234,519)
Write off of assets	-	-	(785,128)	(69,501)	-	(854,629)
Depreciation expense	-	<u>(37,921)</u>	<u>(916,827)</u>	<u>(115,138)</u>	<u>(170,997)</u>	<u>(1,240,883)</u>
Balance at 30 June 2018	<u>2,399,750</u>	<u>753,436</u>	<u>7,768,595</u>	<u>585,543</u>	<u>85,361</u>	<u>11,592,685</u>

Note 9. Externally Funded Property, Plant and Equipment

	Consolidated	
	2018	2017
	\$	\$
Freehold Property - at cost	664,974	664,974
Less: Accumulated depreciation	<u>(382,873)</u>	<u>(370,735)</u>
	<u>282,101</u>	<u>294,239</u>
Fixtures and Fittings - at cost	10,256	10,256
Less: Accumulated depreciation	<u>(10,256)</u>	<u>(10,256)</u>
	<u>-</u>	<u>-</u>
Motor Vehicles - at cost	41,495	41,495
Less: Accumulated depreciation	<u>(24,378)</u>	<u>(18,154)</u>
	<u>17,117</u>	<u>23,341</u>
	<u><u>299,218</u></u>	<u><u>317,580</u></u>

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 9. Externally Funded Property, Plant and Equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land \$	Buildings \$	Motor Vehicles \$	Total \$
Balance at 1 July 2017	58,071	236,168	23,341	317,580
Depreciation expense	-	(12,138)	(6,224)	(18,362)
Balance at 30 June 2018	<u>58,071</u>	<u>224,030</u>	<u>17,117</u>	<u>299,218</u>

Note 10. Intangibles

	Consolidated	
	2018	2017
	\$	\$
Lease Incentive - at cost	681,818	681,818
Less: Accumulated amortisation	<u>(276,522)</u>	<u>(231,066)</u>
	405,296	450,752
Computer Software - at cost	1,404,311	1,595,847
Less: Accumulated amortisation	<u>(485,142)</u>	<u>(302,015)</u>
	919,169	1,293,832
Computer Software - at cost (Externally Funded)	7,508	7,508
Less: Accumulated amortisation	<u>(7,508)</u>	<u>(7,508)</u>
	-	-
	<u>1,324,465</u>	<u>1,744,584</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Computer Software \$	Lease Incentive \$	Total \$
Balance at 1 July 2017	1,293,832	450,752	1,744,584
Additions	43,139	-	43,139
Write off of assets	(139,844)	-	(139,844)
Amortisation expense	<u>(277,958)</u>	<u>(45,456)</u>	<u>(323,414)</u>
Balance at 30 June 2018	<u>919,169</u>	<u>405,296</u>	<u>1,324,465</u>

Note 11. Other

	Consolidated	
	2018	2017
	\$	\$
Prepayments	961,184	1,135,944
Security deposits	<u>642,549</u>	<u>547,463</u>
	<u>1,603,733</u>	<u>1,683,407</u>

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 12. Trade and Other payables

	Consolidated	
	2018	2017
	\$	\$
Trade Payables	2,442,016	1,510,730
Other Creditors	4,779,095	3,536,820
Provision for Lease Liability - Current	93,298	62,536
	<u>7,314,409</u>	<u>5,110,086</u>

Note 13. Employee Benefits

	Consolidated	
	2018	2017
	\$	\$
Provisions for Annual Leave	2,798,701	2,470,256
Provisions for Long Service Leave	1,960,345	1,836,864
Provisions for R.D.O	39,045	34,555
	<u>4,798,091</u>	<u>4,341,675</u>

Note 14. Other Current Liabilities

	Consolidated	
	2018	2017
	\$	\$
Trust Fund Liability	4,349,993	4,899,336
Provision for Refund	1,156,724	436,290
	<u>5,506,717</u>	<u>5,335,626</u>

Note 15. Deferred Lease Liability

	Consolidated	
	2018	2017
	\$	\$
Provision for Lease Liability - Non-current	1,978,890	2,072,188

Note 16. Employee Benefits

	Consolidated	
	2018	2017
	\$	\$
Provisions for Annual Leave	17,785	35,917
Provisions for Long Service Leave	1,109,633	1,199,687
	<u>1,127,418</u>	<u>1,235,604</u>

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 17. Capital Grants Liability

	Consolidated	
	2018	2017
	\$	\$
Capital Grants Liability	299,218	317,581

Note 18. Reserves

	Consolidated	
	2018	2017
	\$	\$
Available-for-sale reserve	1,933,773	927,933
Capital Appeal reserve	3,447,558	360,558
	<u>5,381,331</u>	<u>1,288,491</u>

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Capital Appeal Reserve
This reserve recognises funds allocated for capital projects.

Note 19. Key Management Personnel

	Consolidated	
	2018	2017
	\$	\$
Total Compensation	1,673,100	1,398,609

Note 20. Commitments For Expenditure

	Consolidated	
	2018	2017
	\$	\$
<i>Lease Expenditure Commitments - under Operating Leases</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,901,029	1,815,916
One to five years	6,588,401	7,463,767
More than five years	6,462,958	7,221,476
	<u>14,952,388</u>	<u>16,501,159</u>

Note 21. Related Party Disclosures

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key Management Personnel
Disclosures relating to key management personnel are set out in note 19.
Members of the Board receive no remuneration or other benefits from Melbourne City Mission (2017, Nil)

Related Party Transactions
Melbourne City Mission purchased services totalling \$28,165 from M&K Lawyers during the financial year, an entity related to A Douglas at normal commercial terms and conditions.

Melbourne City Mission
Notes to the financial statements
30 June 2018

Note 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$	\$
Surplus/(deficit)	(50,741)	981,429
Total comprehensive income	(50,741)	981,429

Statement of financial position

	Parent	
	2018	2017
	\$	\$
Total current assets	35,189,198	30,150,254
Total assets	49,835,634	46,786,025
Total current liabilities	17,066,863	14,693,323
Total liabilities	20,440,998	18,264,951
Equity		
Available-for-sale reserve	1,933,773	839,157
Capital Appeal reserve	3,447,558	360,558
Retained surpluses	27,315,818	27,321,357
Total equity	<u>29,394,637</u>	<u>28,521,072</u>

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business Country of incorporation
Hester Hornbrook Academy	Melbourne
Dr John Singleton Trust	Melbourne

Note 24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Melbourne City Mission
Directors' declaration
30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and associated regulations, and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:

On behalf of the directors


Di McDonald
Chairperson


Paul Scrogge
Director

31 October 2018

Melbourne City Mission

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Melbourne City Mission. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 financial report of Melbourne City Mission has been prepared 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 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Regime 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 Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, 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 Australian Accounting Standards - Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters 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 has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink that reads 'C.L. Siddles'.

C.L. Siddles

Director

Melbourne, 31st October 2018