



Melbourne City Mission

**FINANCIAL
STATEMENTS**

For the year ended

30 JUNE 2017

ACN 159 596 782
ABN 56 161 846 149

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2017.

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)

B.App.Sc, Grad. Dip. Education, Grad. Dip. Rehabilitation, Grad. Dip. Bus. Mgt., M.Mgt. (Organisational Systems), MAICD

A member of the Board since 2011; appointed Chair, January 2016

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.

Roslyn Otzen (Deputy Chair)

BA (Hons), B Ed, PhD, ASDA.

A member of the Board since 2008; appointed Deputy Chair 24 September 2014

Member of the Nominations and Remuneration Committee

Member of the Board Strategy Oversight Committee

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.

Catherine McGovern

BEC (Hons), GAICD

A member of the Board since 2010

Chair of the Board Quality Safety & Risk Committee

Member of the Nominations and Remuneration Committee

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 consults in health, social policy and economics and is Principal of Evaluate Consulting. She is a graduate member of the Australian Institute of Company Directors, a Board member of Victorian Legal Aid, a member of Medicines Australia's Advisory Council and a member of the Consumer and Carer Advisory Committee of Eating Disorders Victoria.

John Jeffreys

FCPA, GAICD

A member of the Board since 27 November 2013

Chair of the Board Nominations & Remuneration Committee

Member of the Board Finance Investment & Audit Committee

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.

Caitlin MacLeod

BA (Hons), LLB, MSC, GDLP

A member of the Board since 27 November 2013

Member of the Board Finance Investment & Audit Committee

Caitlin has extensive experience in financial regulation in the UK and Australia, and currently consults to firms in the financial services industry in the areas of strategy, risk management and regulatory compliance. Prior to working in financial regulation, she was a commonwealth public servant in the Department of Finance and Administration and the Department of the Prime Minister and Cabinet, and has been posted to Bougainville and the Solomon Islands. She is a past Chair of the YWCA (ACT) and currently sits on the board of the Ballarat International Foto Festival

Paul Scroope

B. Bus., Grad. Dip. Bus. Management, MOS, FCPA, MAICD
A member of the Board since 29 October 2014
Chair of the Board Finance Investment & Audit Committee

Paul is a senior executive with the Australian Red Cross Blood Service. Paul has over 30 years' experience in the commercial and not-for-profit sectors including executive positions with the CSIRO, Fujitsu Australia, Therapeutic Innovations Australia and Vision Systems. He is board advisory to the CRC for Cancer Therapeutics and board member of the Hester Hornbrook Academy. He is a Member of the Australian Institute of Company Directors and of the Chartered Global Management Accountants. Paul holds a Master Organisational Systems from Monash.

Leonie Boxtel

B Arts (Hons), M. Bus. (Marketing), GAICD
A member of the Board since 29 October 2014
Chair of the Board Strategy Oversight Committee
Member of the Board Quality Safety & Risk Committee

Leonie has worked in executive and senior management roles with Asialink, the Australia-Japan Foundation and the University of Melbourne. She is currently Director of Alumni & Philanthropy at RMIT University. Leonie has extensive experience in stakeholder relations, strategy and marketing as well as a fundraising and communications in Australia and Asia. She has a passion for textiles, languages and learning about different cultures.

Andrew Douglas

B Law (Hons), Grad. Dip. Corporate Security Law, Hon. Fellow Safety Institute of Australia
A member of the Board since 24 February 2016
Member of the Nominations & Remuneration Committee
Member of the Strategy Oversight Committee

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.

Sean O'Donnell

MBA, B.Bus. (Hosp Man), Dip Fin Adv, FFin, FACP, MAICD
A member of the Board since 29 March 2017
Member of the Board Quality Safety & Risk Committee

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 the spheres of Cognitive Computing, Big Data, Robotics, AI and Blockchain.

Joe Carbone

BHA (Health Administration), GAICD
A member of the Board since 28 June 2017
Member of the Board Finance Investment & Audit Committee

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.

MEETINGS OF DIRECTORS

Details of attendance by Directors at meetings of the Board and Committees during the year are detailed in the table below.

Director	Board Meetings		Board Finance Investment & Audit Committee		Board Quality, Safety & Risk Committee		Board Strategy Oversight Committee		Board Nominations & Remuneration Committee	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Caitlin MacLeod	11	8	6	6	-	-	-	-	-	-
Catherine McGovern	12	9	-	-	4	3	-	-	7	6
Di McDonald	12	11	4	4	1	1	1	1	6	6
John Jeffreys	12	10	6	5	-	-	-	-	7	7
Leonie Boxel	12	10	-	-	4	4	1	1	-	-
Paul Scroope	12	10	6	6	-	-	-	-	-	-
Roslyn Otzen	12	12	-	-	2	2	1	1	7	6
Andrew Douglas	12	8	-	-	-	-	1	1	3	1
Sean O'Donnell	4	4	-	-	1	1	-	-	-	-
Joe Carbone	1	1	-	-	-	-	-	-	-	-

Note: D McDonald, attends sub-committee meetings in the capacity of Board Chair

COMPANY SECRETARY

Andrew Moore

BEC, ACA.

Company Secretary appointed March 2011; ceased 28 June 2017

Andrew brings over 30 years' financial management experience to the organisation. Andrew previously held leadership and senior client service roles at Ernst and Young, where he gained knowledge and experience across the not-for-profit, corporate and public sectors.

Jeff Wright

Company Secretary – appointed 28 June 2017; ceased 30 August 2017

Jeff brings significant expertise over a number of years leading broad corporate services teams predominantly in the insurance sectors including TIO, Allianz and most recently Tower (NZ). Jeff is a proven leader who has achieved significant results in rapidly changing environments, while ensuring improved efficiency and delivering an exceptional customer experience. Jeff has also been an active member of his community including serving as Chair of Duke of Edinburgh, Northern Territory.

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 12 years; more recently as Company Secretary.

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 other than the establishment of an Independent School which was operated through a fully owned subsidiary company.

OPERATING RESULTS

The consolidated operating deficit for the year ended 30 June 2017 was (\$1,393,610) (2016 deficit \$3,741,182).

Melbourne City Mission continues to contend with increasing demand for its services within a challenging funding environment.

The operating deficit of the organisation is offset by other sources of income such as investment revenue, gains on sale of investments and bequests.

Careful management of available resources is required to ensure the ongoing provision of services and financial sustainability of the organisation.

After allowing for non-operating activities, Melbourne City Mission achieved a surplus result of \$1,593,997 (2016 surplus \$351,034). No income tax is applicable.

Consolidated results for the year ended 30 June 2017 includes the financial performance of the controlled entities Dr John Singleton Trust and Hester Hornbrook Academy. The controlled entities contributed \$121,129 and \$486,485 respectively towards the overall surplus for the year.

REVIEW OF OPERATIONS

Significant features of the year's operating results include:

- Government subsidies and contributions \$49,883,725 (2016 \$42,594,930);
- Fees from residents and clients \$2,818,737 (2016 \$2,772,556);
- Fundraising income \$2,267,608 (2016 \$2,273,197); and
- Total operating expenditure \$60,774,662 (2016 \$56,953,197).

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 new Five Year Strategy (2017-2022).

Our short-term objectives include

- 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
- 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 and managers have a set of Key Performance Indicators to work towards that are regularly reported against and assessed.

DIVIDENDS

Melbourne City Mission is a company limited by guarantee. As such, it has no issued capital and does not pay a dividend.

EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events that have occurred subsequent to year-end that require disclosure in the financial statements.

STATE OF AFFAIRS

No significant changes in the company's underlying activities have occurred during the financial year.

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, other than services as specified in note 21.

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.

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.

Signed in accordance with a resolution of the Board.



Di McDonald
Chairperson



Paul Scroope
Director

27 September 2017

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 2017 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 Audit (VIC) Pty Ltd
ABN 59 116 151 136



A.P. Marks
Director

Dated this 27th day of September, 2017

**CHARTERED ACCOUNTANTS
& ADVISORS**

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**Consolidated Statement of Profit or Loss
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
REVENUE FROM CONTINUING OPERATIONS			
Service Revenue			
Government Subsidies and Contributions	3	49,883,725	42,594,930
Fees from Residents and Clients	3	2,818,737	2,772,556
Fundraising (Donations, Trusts)	3	2,267,608	2,273,197
Sales and Sundry Revenue	3	4,376,637	5,571,082
Other Revenue			
Insurance Claim	3	34,345	250
TOTAL REVENUE		59,381,052	53,212,015
EXPENSES FROM CONTINUING OPERATIONS			
Aged Services		10,402	110,081
Disability Services		21,008,874	16,803,243
Homelessness & Justice Services		12,698,830	12,446,720
Employment, Education and Early Years		10,827,794	11,752,072
Palliative Care Services		4,451,054	4,653,490
Corporate Administration		10,137,774	9,509,509
Fundraising & Public Information		1,639,934	1,678,082
TOTAL EXPENSES	4	60,774,662	56,953,197
OPERATING SURPLUS/(DEFICIT)		(1,393,610)	(3,741,182)
Write off of Non-Current Assets		(323,917)	(13,184)
Net Profit/(Loss) on Sale of Non-current Assets		102,454	43,079
Net Profit on Sale of Investments		414,808	343,904
Gain on Business Combination		-	1,416,680
Capital Grants	3	157,501	175,000
Investment Revenue	3	1,252,245	1,329,914
Bequests	3	823,957	796,823
Capital Appeal	3	93,000	-
WorkCover Refund	3	467,559	-
TOTAL SURPLUS/(DEFICIT)		1,593,997	351,034

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and Cash Equivalents	6	7,246,379	8,555,763
Trade Receivables and Prepayments	2(f), 7	5,074,481	2,702,304
Available for Sale Financial Assets	2(h), 8	20,836,151	18,160,063
Total Current Assets		33,157,011	29,418,130
Non-Current Assets			
Bank Guarantee		547,463	693,000
Prepaid rent		1,135,944	1,223,324
Melbourne City Mission Assets			
Property, Plant and Equipment	2(j), 9	12,890,199	13,498,084
Intangible Assets	2(m), 10	1,744,584	1,202,467
Externally Funded Assets			
Property, Plant and Equipment	2(j), 9	317,580	335,943
Total Non-Current Assets		16,635,770	16,952,818
Total Assets		49,792,781	46,370,948
Current Liabilities			
Trade and Other Payables	11	5,047,551	4,100,729
Employee Benefits	2(s), 12	4,341,675	4,219,536
Other Current Liabilities	13	5,335,625	6,005,451
Total Current Liabilities		14,724,851	14,325,716
Non-Current Liabilities			
Employee Benefits	2(s), 12	1,235,604	1,074,360
Capital Grants Liability	14	317,581	335,944
Deferred Lease Liability	15	2,134,724	2,168,259
Total Non-Current Liabilities		3,687,909	3,578,563
Total Liabilities		18,412,760	17,904,279
Net Assets		31,380,021	28,466,669
Funds			
Retained Surplus	16	30,091,530	28,858,091
Capital Appeal Reserve		360,558	-
Unrealised Investment Reserve	17	927,933	(391,422)
Accumulated Funds		31,380,021	28,466,669

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
Surplus/(Deficit) for year		1,593,997	351,034
OTHER COMPREHENSIVE INCOME			
Net Fair Value Gains/(Loss) on Available-for-Sale Financial Assets		1,790,276	(1,187,932)
Transferred Realised Gain to Profit on Sale of Investments		(470,921)	(376,479)
TOTAL COMPREHENSIVE INCOME		2,913,352	(1,213,377)

**Consolidated Statement Of Changes In Equity
for the year ended 30 June 2017**

	Retained Surplus (note 16) \$	Capital Appeal Reserve \$	Unrealised Investment Reserve (note 17) \$	Total \$
Balance at 1 July 2015	28,507,057	-	1,172,990	29,680,047
Surplus for the year	351,034	-	-	351,034
Other comprehensive income for the year	-	-	(1,564,412)	(1,564,412)
Balance at 30 June 2016	28,858,091	-	(391,422)	28,466,669
Surplus for the year	1,593,997	-	-	1,593,997
Transfer to reserve	(360,558)	360,558	-	-
Other comprehensive income for the year	-	-	1,319,355	1,319,355
Balance at 30 June 2017	30,091,530	360,558	927,933	31,380,021

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated statement of Cash Flows
for the year ended 30 June 2017**

	Note \$	2017 \$	2016 \$
Cash Flows Related to Operating Activities			
Government Subsidies and Grants Received		51,743,753	49,664,280
Fees from Residents and Clients		2,903,697	2,865,297
Receipts from Customers		4,337,917	4,083,364
Capital Grants and Donations		2,433,539	925,250
Goods and Services Tax paid to the Australian Taxation Office		(2,919,790)	(2,674,463)
Fundraising (Donations, Bequests, Trusts)		3,133,168	3,818,626
Contributions - Specific Centres		24,388	(9,355)
Payments to Suppliers and Employees		(61,835,401)	(58,208,392)
Interest Received		187,628	188,452
Dividends Received		881,948	998,853
Net Cash Flows from Operating Activities	5(a)	890,847	1,651,912
Cash Flows Related to Investing Activities			
Cash Paid for Purchases of Property, Plant and Equipment - MCM Owned		(1,817,895)	(2,663,086)
Cash Proceeds from Sale of Property, Plant and Equipment - MCM Owned		432,611	372,250
Cash Paid for Purchases of Equity Investments		(9,433,283)	(3,511,106)
Cash Proceeds from Sale of Equity Investments		8,491,356	3,817,408
Cash Proceeds from Merger with Iramoo		-	16,680
Cash Proceeds from the Release of Bank Guarantee		145,537	-
Net Cash Flows from (applied to) Investing Activities		(2,181,674)	(1,967,854)
Net (Decrease) in Cash Held		(1,290,827)	(315,942)
Cash at Beginning of Year		8,534,994	8,850,936
Cash at End of Year	5(b)	7,244,167	8,534,994

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

1. **Corporate Information**

The financial statements of Melbourne City Mission (the company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

Melbourne City Mission is a company limited by guarantee, incorporated in Australia.

The nature of the operations and principal activities of the company are described in the Directors' Report.

The registered office of the company is 19 King Street, Melbourne VIC 3000.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *ACNC Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

a) **Statement of Compliance**

The company has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

The company is a not-for-profit entity which is not publicly accountable. Therefore, the financial statements of the company are tier 2 general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

b) **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Melbourne City Mission and its controlled entities as at and for the year ended 30 June 2017.

Controlled entities are those entities over which Melbourne City Mission has no ownership interest but in effect the substance of the relationship is such that Melbourne City Mission controls the entity so as to obtain the majority of benefits from its operations.

c) **New Accounting Standards and Interpretations**

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year. There are no material impacts to the financial statements as a result of amendments to the Australian Accounting Standards that have recently been issued.

d) **Significant Accounting Judgments, 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, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

i. Significant Accounting Judgements

Impairment of available-for-sale assets

In determining the amount of impairment of financial assets, the company has made judgements in identifying financial assets whose decline in fair value below cost is considered 'significant' or 'prolonged'. A significant decline is assessed based on the historical volatility of the share price. The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The company considers a less than 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 20% will often be considered significant.

Generally, the company does not consider a decline over a period of less than three months to be prolonged. However, where the decline in fair value is greater than 12 months for liquid investments, it is usually considered prolonged.

Significant Accounting Estimates and Assumptions

Classification of 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.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience, as well as turnover policies (for motor vehicles). In addition, the condition of the asset is assessed regularly and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

e) 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.

f) 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.

g) 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.

h) 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.

i) Investment Property

Investment property constitutes land or building (or part of a building or both) held to earn rentals or for capital appreciation. The investment properties are measured at cost plus transaction costs. Investment properties under this category consist of the Independent Living Units, which are currently included within Land and Buildings, as they are not able to be separately identified and valued and are depreciated in line with other buildings in accordance with policy (j) below.

j) Property, Plant and Equipment

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

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

	2017	2016
Buildings	50 years	50 years
Building Development	20 years	20 years
Improvements & Renovations	10 years	10 years
Furniture & Fittings	10 years	10 years
Plant & Machinery, Computer Equipment	5 years	5 years
Motor Vehicles	6.7 years	6.7 years

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

k) 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.

l) Externally Funded 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.

m) Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost less any accumulated amortisation and any accumulated impaired losses. The useful life is assessed to be either finite or indefinite.

i. Computer Software

Expenditure on software, being software that is not an integral part of the related hardware, is capitalised. Capitalised expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is 3 years.

n) Leases

Leases where the lessor effectively retains substantially all of the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the term of the lease.

o) 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.

p) Revenue Recognition

i. 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.

ii. Dividends and Imputation Credit

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

iii. Interest

Interest is recognised as income as it accrues.

iv. Donation

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

q) 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.

r) Goods and Services 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.

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.

s) 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.

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

3. REVENUE	Note	2017 \$	2016 \$
Government Subsidies and Contributions			
State Government		42,473,086	39,363,858
Federal Government		6,735,001	2,594,445
Local Government		675,638	636,627
		<u>49,883,725</u>	<u>42,594,930</u>
Fees from Residents and Clients		2,818,737	2,772,556
Fundraising			
Donations		1,773,499	1,862,240
Trusts		494,109	410,957
		<u>2,267,608</u>	<u>2,273,197</u>
Sales and Sundry Revenue			
Sundry Revenue		4,376,637	5,571,082
Insurance Claim Income		34,345	250
Total Revenue from Operating Activities		<u>59,381,052</u>	<u>53,212,015</u>
Revenue from Non-Operating Activities			
Write off of Non-current Assets		(323,917)	(13,184)
Net (Loss)/Profit on Sale of Non-current Assets		102,454	43,079
Net Profit on Sales of Investment		414,808	343,904
Gain on Business Combination		-	1,416,680
Capital Grants		157,501	175,000
Investment Revenue			
Interest Revenue		147,903	202,975
Dividend Revenue		1,104,342	1,112,510
Share Option		-	14,429
		<u>1,252,245</u>	<u>1,329,914</u>
Bequests		823,957	796,823
Capital Appeal		93,000	-
WorkCover Refund		467,559	-
		<u>2,987,607</u>	<u>4,092,216</u>
Total Revenue from Non-Operating Activities		<u>2,987,607</u>	<u>4,092,216</u>
Total Revenue		<u>62,368,659</u>	<u>57,304,231</u>

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
4. EXPENSES			
Operating (Deficit)/Surplus is arrived at after charging the following:			
(a) Depreciation and Amortisation			
Depreciation of Property Plant and Equipment			
Freehold Buildings		38,460	40,080
Improvements		827,824	779,564
Motor Vehicles		136,286	159,244
Fixtures, Plant and Equipment		133,083	174,326
Total Depreciation of Property, Plant & Equipment	9	1,135,653	1,153,214
Amortisation of Intangible Assets			
Lease Incentive		45,456	45,456
Computer Software		48,482	64,366
Total Amortisation	10	93,938	109,822
Total Depreciation and Amortisation		1,229,591	1,263,036
(b) Employee Benefits Expense			
Wages and Salaries		37,754,748	35,361,705
Workers' Compensation Costs		1,170,818	793,489
Superannuation Costs		3,367,803	3,141,200
Annual Leave Provision		147,003	118,430
Long Service Leave Provision		136,380	42,422
		42,576,752	39,457,246
(c) Lease Payments			
Minimum Lease Payments - Operating Lease		1,784,928	1,279,546

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

	2017 \$	2016 \$
5. CASH FLOW STATEMENT		
(a) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus		
Total Surplus	1,593,997	351,034
<i>Adjustments</i>		
Depreciation & Amortisation	1,229,591	1,263,036
Profit on Disposal of Assets - MCM Owned	(121,904)	(50,129)
Externally Assets Income	-	-
Loss on Disposal of Assets - MCM Owned	19,450	7,050
Write off of Assets - MCM Owned	323,917	13,184
Profit on Sale of Equity Investments	(1,004,516)	(528,339)
Loss on Sale of Equity Investments	589,708	184,435
Gain on Business Combination	-	(1,416,680)
 <i>Change in Assets and Liabilities</i>		
Decrease in Trust Assets	18,557	18,396
Decrease in Trade Debtors	12,377	95,110
(Increase)/Decrease in Sundry Debtors	(2,565,109)	1,480,796
(Increase)in Dividend Imputation Credit	(224,593)	(271,586)
Decrease/(Increase) in Prepayments – Service/Rental	87,380	(476,707)
Decrease/(Increase) in Prepayments - Others	(210,710)	69,603
Increase in Trade Creditors	185,120	248,135
(Decrease)/Increase in Trust Liabilities	(883,364)	(102,581)
(Decrease)/Increase in Lease Liabilities	(33,535)	320,866
(Decrease) in Client Fees in Advance	(25,075)	(1,267)
Increase in Sundry Creditors	858,002	237,236
Increase in Government Funding in Advance	758,171	42,127
Increase in Employee Entitlements	283,383	168,193
 Net Cash Provided by Operating Activities	<u>890,847</u>	<u>1,651,912</u>
(b) Reconciliation of Cash		
Cash	1,537,607	1,695,650
Deposits at Call	3,706,560	3,839,344
Term Deposits	2,000,000	3,000,000
	<u>7,244,167</u>	<u>8,534,994</u>

For the purpose of the Consolidated Statement of Cash Flows, residents' and clients' trust funds have not been included (refer note 6 below).

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
6. CASH AND CASH EQUIVALENTS			
Cash	5(b)	1,537,607	1,695,650
Deposits at Call	5(b)	1,671,127	2,084,332
Residents and Clients		2,212	20,769
Term Deposits - Trust Funds	5(b)	4,035,433	4,755,012
		7,246,379	8,555,763
7. TRADE RECEIVABLES AND PREPAYMENTS			
Trade Receivables (ii)		566,730	579,107
Sundry Debtors		2,929,562	1,079,727
Dividend Imputation Credit (i)		1,146,003	821,994
Security Bond		18,573	18,573
Rental and Service Agreements - Prepayments		5,098	5,347
Other Prepayments		408,515	197,556
		5,074,481	2,702,304

(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.

8. AVAILABLE FOR SALE FINANCIAL ASSETS

At Beginning of Year		18,160,063	19,576,820
Revaluations	17	1,790,276	(1,187,932)
Additions		9,433,282	3,820,212
Disposals		(8,547,470)	(4,049,037)
At End of Year		20,836,151	18,160,063

There are no individually material investments.

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

**9. PROPERTY PLANT AND EQUIPMENT
MCM Owned Assets**

	Land	Buildings	Improvement/Development	Fixtures, Plant and Equip	Motor Vehicles	Total
As at 1 July 2016						
- Cost	2,399,750	2,111,945	12,458,288	1,843,157	1,011,649	19,824,789
- Work in Progress	-	-	1,229,717	-	-	1,229,717
- Accumulated Depreciation	-	(1,084,200)	(4,580,616)	(1,505,907)	(385,700)	(7,556,423)
	2,399,750	1,027,745	9,107,389	337,250	625,949	13,498,083
Year Ended 30 June 2017						
Opening Net Book Amount	2,399,750	1,027,745	9,107,389	337,250	625,949	13,498,083
Additions	-	-	1,118,245	11,788	20,879	1,150,912
Work in Progress	-	-	23,231	7,700	-	30,931
Disposals	-	(197,928)	(287,034)	(36,883)	(132,229)	(654,074)
Depreciation Expense	-	(38,460)	(827,825)	(133,082)	(136,286)	(1,135,653)
Closing Net Book Amount	2,399,750	791,357	9,134,006	186,773	378,313	12,890,199
As at 30 June 2017						
- Cost	2,399,750	1,896,024	12,922,936	662,661	793,203	18,674,574
- Work in Progress	-	-	33,996	7,700	-	41,696
- Accumulated Depreciation	-	(1,104,667)	(3,822,926)	(483,588)	(414,890)	(5,826,071)
	2,399,750	791,357	9,134,006	186,773	378,313	12,890,199
As at 1 July 2016						
- Cost	999,750	2,111,945	11,872,078	1,887,624	1,128,255	17,999,652
- Work in Progress	-	-	89,545	-	-	89,545
- Accumulated Depreciation	-	(1,044,120)	(3,816,563)	(1,383,372)	(379,969)	(6,624,027)
	999,750	1,067,825	8,145,060	504,252	748,286	11,465,170
Year Ended 30 June 2016						
Opening Net Book Amount	999,750	1,067,825	8,145,060	504,252	748,286	11,465,170
Additions	1,400,000	-	601,721	20,508	167,024	2,189,253
Work in Progress	-	-	1,140,172	-	-	1,140,172
Disposals	-	-	-	(13,184)	(130,117)	(143,298)
Depreciation Expense	-	(40,080)	(779,564)	(174,326)	(159,244)	(1,153,214)
Closing Net Book Amount	2,399,750	1,027,745	9,107,389	337,250	625,949	13,498,083
As at 30 June 2016						
- Cost	2,399,750	2,111,945	12,458,288	1,843,157	1,011,649	19,824,789
- Work in Progress	-	-	1,229,717	-	-	1,229,717
- Accumulated Depreciation	-	(1,084,200)	(4,580,616)	(1,505,907)	(385,700)	(7,556,423)
	2,399,750	1,027,745	9,107,389	337,250	625,949	13,498,083

9. PROPERTY PLANT AND EQUIPMENT
Externally Funded Assets

	Land	Buildings	Improvemt/ Developmt	Fixtures, Plant and Equip	Motor Vehicles	Total
As at 1 July 2016						
- Cost	58,071	606,903	171,874	98,665	41,495	977,008
- Accumulated Depreciation	-	(358,597)	(171,874)	(98,665)	(11,930)	(641,066)
	58,071	248,306	-	-	29,565	335,942
Year Ended 30 June 2017						
Opening Net Book Amount	58,071	248,306	-	-	29,565	335,942
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation Expense	-	(12,138)	-	-	(6,224)	(18,362)
Closing Net Book Amount	58,071	236,168	-	-	23,341	317,580
As at 30 June 2017						
- Cost	58,071	606,903	-	10,256	41,495	716,725
- Accumulated Depreciation	-	(370,735)	-	(10,256)	(18,154)	(399,144)
	58,071	236,168	-	-	23,341	317,580
As at 1 July 2015						
- Cost	58,071	606,903	171,874	98,665	41,495	977,008
- Accumulated Depreciation	-	(346,459)	(171,874)	(98,665)	(5,706)	(622,703)
	58,071	260,444	-	-	35,789	354,305
Year Ended 30 June 2016						
Opening Net Book Amount	58,071	260,444	-	-	35,789	354,305
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation Expense	-	(12,138)	-	-	(6,224)	(18,362)
Closing Net Book Amount	58,071	248,306	-	-	29,565	335,943
As at 30 June 2016						
- Cost	58,071	606,903	171,874	98,665	41,495	977,008
- Accumulated Depreciation	-	(358,597)	(171,874)	(98,665)	(11,930)	(641,055)
	58,071	248,306	-	-	29,565	335,943

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

Note	2017 \$	2016 \$
10. INTANGIBLES		
MCM Owned Assets		
Computer Software		
As at 1 July		
Major IT Computer Software at Cost	305,515	734,780
Work in Progress	1,290,332	654,276
Less Accumulated Amortisation	(302,015)	(682,797)
Closing Net Book Amount	1,293,832	706,259
Year Ended 30 June		
Opening Net Book Amount	706,259	241,733
Additions	-	-
Disposal	-	-
Work in Progress	636,055	528,892
Amortisation Charge	(48,482)	(64,366)
Closing Net Book Amount	1,293,832	706,259
Lease Incentive		
Year Ended 30 June		
Opening Net Book Amount	496,208	541,664
Amortisation Charge	(45,456)	(45,456)
Closing Net Book Amount	450,752	496,208
Total Intangible Assets - MCM	1,744,584	1,202,467
Externally Funded Assets		
As at 1 July		
Major IT Computer Software at Cost	7,508	7,508
Less Accumulated Amortisation	(7,508)	(7,508)
Closing Net Book Amount	-	-
Year Ended 30 June		
Opening Net Book Amount	-	-
Amortisation Charge	-	-
Closing Net Book Amount	-	-
11. TRADE AND OTHER PAYABLES (CURRENT)		
Trade Payables (i)	1,510,730	1,173,111
Other Creditors (i)	3,536,821	2,927,618
	5,047,551	4,100,729

(i) Trade Payables and Other Creditors are non-interest bearing and are generally settled on 30-day terms.

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
12. EMPLOYEE BENEFITS			
Provisions for Annual Leave			
As at 1 July		2,393,725	2,267,954
Addition – Business Combination		-	7,341
Utilised		(3,000,097)	(2,700,485)
Provisions for the Year		3,147,100	2,818,915
As at 30 June		<u>2,540,728</u>	<u>2,393,725</u>
Provisions for Long Service Leave			
As at 1 July		2,900,171	2,857,749
Utilised		(627,867)	(533,616)
Provisions for the Year		764,247	576,038
As at 30 June		<u>3,036,551</u>	<u>2,900,171</u>
Total Employee Benefits		<u>5,577,279</u>	<u>5,293,896</u>
Current Employee Benefits		4,341,675	4,219,536
Non-Current Employee Benefits		1,235,604	1,074,360
		<u>5,577,279</u>	<u>5,293,896</u>
13. OTHER CURRENT LIABILITIES			
Trust Fund Liability (a)		4,899,336	5,782,700
Provision for Refund		436,289	222,751
		<u>5,335,625</u>	<u>6,005,451</u>
(a) Trust Fund Liability			
Residents and Clients		2,212	20,769
Disability Residential Clients		597,614	487,578
Palliative Care Consortium Fund		264,077	519,341
Client Discretionary Funds		4,035,433	4,755,012
		<u>4,899,336</u>	<u>5,782,700</u>

These trust funds are held in bank term deposits (disclosed as Cash and Cash Equivalents) and in a trust fund bank account.

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
14. CAPITAL GRANTS LIABILITY			
<i>Property, Plant & Equipment</i>			
As at 1 July		335,943	354,306
Additions		-	-
Profit/(Loss) on Disposals		-	-
Write-off of Assets		-	-
Assets Sold		-	-
Depreciation Expense		(18,362)	(18,363)
As at 30 June		317,581	335,943
Total Capital Grants Liability		317,581	335,943
15. Deferred Lease Liability Year ended 30 June			
Opening Net Book Amount		2,168,259	1,847,393
Additions		(33,535)	320,866
Closing Net Book Amount		2,134,724	2,168,259
16. RETAINED SURPLUS			
As at 1 July		28,858,091	28,507,057
Operating Result for the Year		1,593,997	351,034
Transfer Capital Appeal Reserve		(360,558)	-
As at 30 June		30,091,530	28,858,091
17. INVESTMENTS REVALUATION RESERVE			
As at 1 July		(391,422)	1,172,990
Revaluation (Decrement)/Increment		1,790,276	(1,187,932)
Reversal of Previous Unrealised (Gain)/Loss		(470,921)	(376,480)
As at 30 June		927,933	(391,422)
18. COMMITMENTS FOR EXPENDITURE			
<i>Lease Expenditure Commitments - under Operating Leases</i>			
Not Later than One Year		1,815,916	1,712,720
Later than One Year but not Later than 5 Years		7,463,767	7,305,335
Later than 5 years		4,504,634	5,285,992
		13,784,317	14,304,047
19. KEY MANAGEMENT PERSONNEL			
Total Compensation		1,398,609	1,490,423

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2017**

Note	2017 \$	2016 \$
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20. AUDITORS REMUNERATION

Amounts received or due and receivable by external auditors for:

Auditing Accounts	51,000	49,000
Other Services	1,500	6,000
	52,500	55,000

21. RELATED PARTY DISCLOSURES

(a) The Members of the Board of Melbourne City Mission, as at the date of the report and during the year (unless otherwise stated) are:

- D. McDonald
- R. Otzen
- S. O'Donnell (appointed 29 March 2017)
- C. McGovern
- J. Jeffreys
- J. Carbone (appointed 28 June 2017)
- C. MacLeod
- P Scroope
- L. Boxel
- A. Douglas

(b) The following related party transactions occurred during the year:

Melbourne City Mission purchased services totaling \$27,069 from M & K Lawyers during the financial year, an entity related to A Douglas at normal commercial terms and conditions.

Remuneration of Members of the Board

Members of the Board receive no remuneration or other benefits from Melbourne City Mission (2016, Nil)

22. EVENTS AFTER THE BALANCE SHEET DATE

No other events have occurred subsequent to year-end that required disclosure in the financial statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

23. INFORMATION RELATING TO MELBOURNE CITY MISSION
(The Parent Entity)

	2017	2016
	\$	\$
Current Assets	30,203,944	27,145,082
Total Assets	46,839,713	44,097,900
Current Liabilities	14,679,524	14,175,716
Total Liabilities	18,313,688	17,754,278
Retained Surplus	27,326,311	26,700,486
Capital Appeal Reserve	360,558	-
Investment Revaluation Reserve	839,157	(356,864)
	<u>28,526,026</u>	<u>26,343,622</u>
Surplus / (deficit) of Parent Entity	986,387	227,778
Total Comprehensive Income of Parent Entity	2,182,408	(1,191,552)

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Melbourne City Mission we state that:

In the opinion of the Directors:

- a) The financial statements and notes of Melbourne City Mission for the financial year ended 30 June 2017 are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2017 and performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Di McDonald
Chairperson



P Scroope
Director

27 September 2017

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 2017, 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 2017 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 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 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, appearing to read 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to read 'A.P. Marks'.

A.P. Marks

Director

Melbourne, 27th September 2017