

Disability Services Australia Limited

ABN 35 002 507 655

Annual report for the year ended 30 June 2018

Contents

	Page
Directors' report	1
Auditor's independence declaration	6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Responsible entities' declaration	26
Declaration by Chief Executive Officer in respect of fundraising appeals	27
Independent auditor's report	28

Directors' report

Your Directors present their report together with the financial report of Disability Services Australia Limited ("Company") and its controlled entity ("Consolidated Group" or "Group") for the financial year ended 30 June 2018.

Directors

The names of the Directors in office at any time during or since the end of the year are:

- | | |
|--------------------------|---|
| Ken Gabb | - Chairman |
| Qualifications | - A member of NSW Parliament for ten years and held several senior advisory and managerial positions within government. Previously held position of CEO of the Office of the Protective Commissioner and Office of the Public Guardian. Extensive legal career. |
| Experience | - Director for ten years |
| Special responsibilities | - Chair of Board Nomination and Remuneration Committee
- Member of Finance and Risk Committee
- Member of Strategy Committee |
| Thomas Leahy | - Director, Vice Chair |
| Qualifications | - Diploma in Marketing. Consulting and senior management roles in a broad range of companies in Australia and overseas. Twenty five years experience in the insurance industry including CEO Asia/ Pacific along with several Senior Management roles and Directorship. Active member of Boystown for twenty seven years. |
| Experience | - Director for eight years |
| Special responsibilities | - Chair of Finance and Risk Committee
- Member of Board Nomination and Remuneration Committee |
| Gary Bailey | - Director |
| Qualifications | - Worked in financial services for more than thirty five years, initially in investment banking and subsequently in investment management. Held senior positions at Bankers Trust Australia, MLC Group, Wellington Management Company and Fidelity International during his executive career. He has significant CEO and Board experience and is a fellow of the Australian Institute of Company Directors. |
| Experience | - Director for two years |
| Special Responsibilities | - Member of Finance and Risk Committee
- Member of Strategy Committee |

Maryann Dalton - **Director**

- Qualifications** - More than twenty years' experience in senior management roles in the community sector with a wide range of experience in fundraising and operational, human resource and financial management. She undertook her major research into volunteerism having worked extensively recruiting and working with volunteers. Holds a Masters Degree in Management (Community).
- Experience** - Director for six years
- Special responsibilities** - Chair of Fundraising Committee
- Member of Board Nomination and Remuneration Committee

Barbara Jones - **Director**

- Qualifications** - Corporate career spanning 30 years with expertise in the field of Leadership Development. Business experience gained both domestically as well as internationally, having headed up specialist consulting businesses delivering services across the Asia Pacific region and the Sub Continent. She has formal qualifications in Communication Management, Psychotherapy and Philosophy.
- Experience** - Director for four years
- Special responsibilities** - Chair of Strategy Committee
- Member of Fundraising Committee

Bernhard Liebmann - **Director**

- Qualifications** - More than thirty years experience as a Chief Executive in both public and private companies in Australia, currently working as a business consultant and Director of ATF Services Pty Limited. He is a qualified Solicitor (South Africa) and retired Chief Executive Officer of Waco Kwikform Limited.
- Experience** - Director for five years
- Special responsibilities** - Member of Fundraising Committee

Margaret Palmer - **Director**

- Qualifications** - More than 20 years' experience as Chief Financial Officer across diverse industries working with NFP organisations. Business experience across a range of corporate services functions including people and culture, ITC and governance. Extensive consulting experience to government agencies supporting CEO's and Boards implement change agendas. Margaret holds a Masters Degree in Finance and accounting, an MBA and Graduate Diploma in Governance. She is a Fellow of the CPA's and a member of the Institute of Company Directors, Institute of Internal Auditors and the Australian Institute of Governance.
- Experience** - Director for six years
- Special responsibilities** - Member of Finance and Risk Committee

Matthew Payne - Director

Qualifications - Partner at HWL Ebsworth Lawyers. More than 15 years' experience in corporate and commercial law with a focus on wealth, tax and estate planning. Has a Bachelor of Commerce (Finance), Bachelor of Laws and Masters of Business Law. He is a director of the Rotary Club of Sydney Cove, is a Rotary Paul Harris Fellow, a member of the Society of Trust and Estate Practitioners (STEP) and a trustee, director and company secretary of a number of private entities.

Experience - Director for four years
Special responsibilities Member of Board Nomination and Remuneration Committee

Vik Bansal - Director (Resigned 29th May 2018)

Qualifications - Chief Executive Officer and Managing Director of ASX listed Cleanaway Waste Management. Prior to this he was President and Chief Operating Officer of US listed multinational Valmont Industries and led global operations spanning 23 countries. Previously held senior leadership positions with OneSteel and Eaton Corporation. Electrical Engineer with an MBA and has completed his AMP from INSEAD. Fellow of Australian Institute of Company Directors and a Fellow of the Institute of Engineers Australia.

Experience - Director for two years

Company Secretary

Mark Spurr, the company's Chief Executive Officer, is also the Company Secretary. Mark has held senior positions with a number of large organisations in the for-profit and not-for-profit sector, and has a Bachelor of Business Studies, is a Fellow of the Australian Institute of Company Directors, and is a Certified Practising Accountant.

Meetings of Directors

Directors' Meetings

Directors	Number eligible to attend	Number attended
Ken Gabb	6	6
Tom Leahy	6	5
Gary Bailey	6	6
Vik Bansal	6	4
Maryann Dalton	6	3
Barbara Jones	6	5
Bernie Liebmann	6	6
Margaret Palmer	6	5
Matthew Payne	6	6

Committee Meetings of Board of Directors

Directors	Board Nomination and Remuneration Committee		Finance and Risk Committee		Strategy Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ken Gabb	1	1	2	2	1	1
Tom Leahy	1	1	2	1	-	-
Gary Bailey	-	-	2	2	1	1
Vik Bansal	-	-	-	-	-	-
Maryann Dalton	1	1	-	-	-	-
Barbara Jones	-	-	-	-	1	1
Bernie Liebmann	-	-	-	1	-	-
Margaret Palmer	-	-	2	1	-	-
Matthew Payne	1	1	-	-	-	-

The Fundraising Committee was disbanded during the year and no meetings were held. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating results

The surplus of the consolidated group after providing for income tax amounted to \$7,035,000 (2017: \$4,624,000). The surplus did not include any Capital Funding (2017: \$287,000) and included net Fundraising income of \$624,000 (2017: deficit of \$87,000).

Review of operations

The consolidated group's revenue from the rendering of Business Services of \$8,574,000 (2017: \$8,178,000) was 4.8% higher than the year ended 30 June 2017. Government funding (excluding capital subsidies) increased by 16.3% to \$66,755,000 (2017: \$57,384,000).

Principal activities

The principal activities of the consolidated group during the financial year were:

- the provision of employment and community support services for people with a disability; and
- the provision of accredited training in Disability, Community and Children's Services.

There were no significant changes in the nature of the principal activities during the financial year.

The consolidated group's short term objectives include:

- offering opportunities for choice, inclusion and achievement for people with a disability through a person centred approach; and
- to continue to be recognised as a disability service of choice, growing with diversity and strength.

Our strategies include:

- expanding existing services in the disability sector and developing organisational capability to thrive in the changing environment characterised by increasing personalisation.

The consolidated group's long term objective is to fulfil our purpose of enhancing the lives of people with a disability by:

- providing relevant services and opportunities to participate in meaningful work and whole of life activities; and
- maintaining relationships with stakeholders to maximise social inclusion and community involvement.

The following strategies have been implemented to achieve this objective:

- as a Provider of Choice, develop capabilities to thrive in the changing disability service sector;
- as an Employer of Choice, attract and retain quality staff who are committed to supporting people with a disability within a caring, professional and enabling culture;
- commitment to quality, continuous improvement and excellence in enhancing the lives of the people with whom the organisation is involved;
- work in partnership with a range of community and business stakeholders to ensure that our activities remain viable, sustainable and relevant; and
- proactive involvement in the disability and community services sectors, and scanning the environment to ensure that future programs meet the changing needs of people with a disability, customers, clients and students.

Significant changes in state of affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

After balance date events

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Rounding of amounts

The company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Investment 2016/191 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is set out on page 6, and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:



K Gabb
Director

Dated this 20th day of September 2018

Auditor's Independence Declaration

To the Directors of Disability Services Australia Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Disability Services Australia Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 20 September 2018

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

		Consolidated Group	
	Notes	2018 \$'000	2017 \$'000
Sales revenue	4	8,574	8,178
Cost of sales		(7,937)	(7,796)
Gross profit		<u>637</u>	<u>382</u>
Government subsidies	4	66,755	57,662
Other revenue	4	3,361	2,880
Other income	4	55	26
Employee expenses		(50,488)	(45,484)
Marketing and research expenses		(319)	(251)
Occupancy expenses		(3,518)	(3,516)
Administration expenses		(7,084)	(6,057)
Finance costs		(32)	(24)
Other expenses		<u>(2,332)</u>	<u>(994)</u>
Surplus before income tax	5	7,035	4,624
Income tax		-	-
Surplus for the year		<u>7,035</u>	<u>4,624</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gain on revaluation of Investments		2,364	396
Net loss on sale of Investments		(72)	(120)
Other comprehensive income for the year		<u>2,292</u>	<u>276</u>
Total comprehensive income for the year		<u>9,327</u>	<u>4,900</u>

Statement of financial position

As at 30 June 2018

	Notes	Consolidated Group	
		2018	2017
		\$'000	\$'000
Current assets			
Cash and cash equivalents	7	14,565	19,050
Trade and other receivables	8	7,307	4,259
Inventories	9	112	117
Other current assets	10	-	1,606
Total current assets		21,984	25,032
Non-current assets			
Financial assets	11	12,575	4,317
Property, plant and equipment	12	13,263	12,602
Intangible assets	13	-	264
Total non-current assets		25,838	17,183
Total assets		47,822	42,215
Current liabilities			
Trade and other payables	14	4,316	3,590
Short-term provisions	15	3,792	3,509
Other current liabilities	16	1,522	6,351
Total current liabilities		9,630	13,450
Non-current liabilities			
Long-term provisions	15	1,158	1,058
Total non-current liabilities		1,158	1,058
Total liabilities		10,788	14,508
Net assets		37,034	27,707
Equity			
Asset revaluation reserve	18	6,703	4,482
Asset realisation reserve	18	(125)	(196)
Retained earnings		30,456	23,421
Total equity		37,034	27,707

Statement of changes in equity

For the year ended 30 June 2018

	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2016	4,695	(685)	18,797	22,807
Surplus for the year	-	-	4,624	4,624
Total other comprehensive income for the year	396	(120)	-	276
Transfer for shares sold during the year	(609)	609	-	-
Balance at 30 June 2017	4,482	(196)	23,421	27,707
Surplus for the year	-	-	7,035	7,035
Total other comprehensive income for the year	2,364	(72)	-	2,292
Transfer for shares sold during the year	(143)	143	-	-
Balance at 30 June 2018	6,703	(125)	30,456	37,034

Statement of cash flows

For the year ended 30 June 2018

	Notes	Consolidated Group	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		85,226	75,300
Payments to suppliers and employees		(82,990)	(69,685)
Interest received		279	411
Finance costs		(32)	(24)
Net cash provided by operating activities	23	<u>2,483</u>	<u>6,002</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(637)	(1,595)
Payment for capitalised software		(55)	(123)
Proceeds from term deposits		1,600	457
Proceeds from the sale of investments in shares		2,459	3,053
Payment for investments in shares		(10,335)	(3,205)
Net cash used in investing activities		<u>(6,968)</u>	<u>(1,413)</u>
Net (decrease)/ increase in cash and cash equivalents held		(4,485)	4,589
Cash and cash equivalents at beginning of financial year		<u>19,050</u>	<u>14,461</u>
Cash and cash equivalents at end of financial year	7	<u><u>14,565</u></u>	<u><u>19,050</u></u>

Notes to the financial statements

For the year ended 30 June 2018

Note 1: General information and statement of compliance

The financial report includes the consolidated financial statements and notes of Disability Services Australia Limited ('Company') and its controlled entity ('Consolidated Group' or 'Group').

Disability Services Australia Limited and its controlled entity have elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012. Disability Services Australia Limited is a not-for-profit entity for the purposes of preparing the financial statements.

The consolidated financial statements for the year ended 30 June 2018 (including comparatives) were approved and authorised for issue by the Board of Directors on 20 September 2018.

Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars which is the consolidated group's functional and presentation currency, unless otherwise noted.

Note 2: Changes in accounting policies

New and revised standards that are effective for these financial statements

The Group adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant on the financial performance of the Group.

Note 3: Summary of accounting policies

Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

a. Basis of consolidation

The Group financial statements consolidate those of the parent company and its subsidiary undertaking drawn up to 30 June 2018. The subsidiary is an entity over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. The subsidiary has a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

b. Income tax

Under Section 50-5 of the Income Tax Assessment Act 1997, the income of Disability Services Australia Limited and its controlled entity are exempt from income tax.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items on a first-in first-out basis. Cost comprises materials, labour and an appropriate portion of fixed and variable overheads.

d. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Freehold land and buildings that have been contributed at no cost, or for nominal cost, are valued at the fair value of the asset at the date it is acquired.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Buildings	2.5%
Leasehold improvements	10 - 20%
Plant and equipment	15%
Motor vehicle	20%
Furniture and fittings	15%
Office machines	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

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

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

f. Financial assets

The Company elected to early adopt AASB 9 Financial Instruments from 1 July 2010. This new standard has been adopted as it includes requirements for the classification and measurement of financial assets which improve and simplify the approach when compared with the requirements of the previous Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

When adopting this standard the Company designated investments held as at 1 July 2010 as financial assets at fair value through other comprehensive income. All gains and losses on investments are presented in other comprehensive income as part of the statement of profit or loss and other comprehensive income. Under AASB 9, there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's long-term investments for impairment with the result that there is no transfer of unrealised impairment revaluation charge from the investment revaluation reserve to the statement of profit or loss and other comprehensive income.

Other financial assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

i. Financial assets measured at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Such impairment losses are recognised in the income statement.

ii. Financial assets at fair value

Prior to the early adoption of AASB 9, investments were classified as available for sale in accordance with the AIFRS definition. From 1 January 2010, all investments form part of the Company's investment portfolio and have been classified as financial assets at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include investments in the Company's investment portfolio. Financial assets at fair value through other comprehensive income are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity (into the asset revaluation reserve).

Realised gains or losses on the sale of investments are transferred from the asset revaluation reserve into the asset realisation reserve.

Note no impairment is required to be assessed for financial assets at fair value through other comprehensive income.

iii. Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the consolidated group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

g. Impairment of non-financial assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of three years. It is assessed annually for impairment.

i. Employee benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits using the government bond rate that represents expected payment.

j. Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. Cash and cash equivalents

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

l. Revenue and other income

Revenue comprises revenue from the sale of goods, government grants, fundraising activities and client contributions. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities have been met. Details of the activity-specific recognition criteria are described below.

Sale of goods

Revenue from the sale of goods comprises revenue earned from the sale of goods donated and purchased for resale. Sales revenue is recognised when the control of goods passes to the customer.

Government grants

A number of the Group's programs are supported by grants received from the federal, state and local governments.

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

Where a grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Group obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the Group receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

Donations and Bequests

Donations collected, including cash and goods for resale, are recognised as revenue when the Group gains control, economic benefits are probable and the amount of the donation can be measured reliably. Bequests are recognised when the legacy is received. Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the Group becomes legally entitled to the shares or property.

Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established. All revenue is stated net of the amount of goods and services tax (GST).

m. Deferred income

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted and presented as non-current.

n. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense of an item. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Reserves

Other components of equity include the following:

- Asset revaluation reserve – comprises gains and losses from the revaluation of land and buildings, and financial assets at fair value through other comprehensive income;
- Asset realisation reserve – comprises gains and losses recorded on the disposal of land and buildings, and financial assets at fair value through other comprehensive income;
- Retained earnings includes all current and prior period retained profits.

p. Comparative figures

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

q. Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Long Service Leave

The liability for long service leave is recognised and measured at the present value of the estimated 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.

The Directors believe that there are no other key estimates or judgements.

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Note 4: Revenue		
Operating revenue		
- Rendering of business services	8,574	8,178
- Government subsidies	66,755	57,662
- Interest received	279	411
- Donations received	821	518
- Other revenue	2,261	1,951
Total revenue	<u>78,690</u>	<u>68,720</u>
Other income		
- Profit on disposal of property, plant and equipment	55	26
Total other income	<u>55</u>	<u>26</u>

Disability Services Australia Limited
Notes to the financial statements for the year ended 30 June 2018

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Note 5: Result for the year		
Expenses		
Finance costs	32	24
Depreciation and amortisation of non-current assets		
- Property, plant and equipment	965	822
- Capitalised software	62	165
Total depreciation and amortisation	1,027	987
Impairment of fixed assets and capitalised software	1,179	136
Impairment of trade receivables	250	
Rental expenses on operating leases	2,557	2,601

	Consolidated Group	
	2018	2017
	\$	\$

Note 6: Transactions with key management personnel

Key management of the Group are the executive members of Disability Services Australia Limited's Board of Directors and members of the executive management. Key management personnel remuneration includes the following expenses:

Total key management personnel remuneration	1,913,000	1,725,000
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The Directors did not receive any remuneration during the financial year.

HWL Ebsworth Lawyers provided pro-bono services and fees for service (\$79,000) to the group in 2018. Matthew Payne is a partner in HWL Ebsworth Lawyers. Corporate Transition Pty Ltd provided pro-bono executive coaching in 2017. Barbara Jones is a director of Corporate Transition Pty Ltd.

There were no other related party transactions during the year.

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Note 7: Cash and cash equivalents		
Cash at bank	2,862	1,804
Cash on hand	6	6
Cash management account	78	1
Funds on deposit	11,619	17,239
Cash and cash equivalents	14,565	19,050

Disability Services Australia Limited
Notes to the financial statements for the year ended 30 June 2018

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Note 8: Trade and other receivables		
Current		
Trade receivables	5,655	2,695
Allowance for impairment of receivables	(335)	(85)
	5,320	2,610
Other debtors	1,987	1,649
	7,307	4,259

Allowance for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

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

Reconciliation		
Balance at 1 July	85	85
Increase in allowance	250	-
	335	85
Balance at 30 June	335	85

Note 9: Inventories

Current		
Workshop materials at cost	112	117

Note 10: Other current assets

Current		
Term deposit	-	1,600
Prepayments	-	6
	-	1,606
	-	1,606

In FY18 all short term deposits matured. In FY17 the effective interest rate on short term deposits was 2.47%

Note 11: Financial assets

Available-for-sale financial assets		
- shares in listed corporations, at fair value	12,570	4,312
- shares in unlisted corporation, at fair value	5	5
	12,575	4,317
Total available-for-sale financial assets	12,575	4,317

The equity securities are denominated in AUD and are publicly traded in Australia. The equity securities are stated at fair value, and fair value has been determined by reference to their quoted bid prices at the reporting date. There are no fixed returns or fixed maturity dates attached to these investments.

Note 12: Property, plant and equipment

	Consolidated Group	
	2018 \$'000	2017 \$'000
Land and buildings		
Freehold land at valuation	7,230	5,530
Buildings at valuation	6,302	6,070
Accumulated depreciation	(1,967)	(1,806)
	4,335	4,264
Total land and buildings	11,565	9,794
Plant and equipment		
Plant and equipment at cost	1,485	1,388
Accumulated depreciation and impairment	(998)	(1,000)
	487	388
Motor vehicles at cost	1,451	1,603
Accumulated depreciation	(1,208)	(1,174)
	243	429
Office machines at cost	1,290	781
Accumulated depreciation and impairment	(1,290)	(338)
	-	443
Furniture and fittings at cost	1,187	1,316
Accumulated depreciation and impairment	(1,187)	(923)
	-	393
Leasehold improvements at cost	2,344	2,188
Accumulated depreciation and impairment	(1,376)	(1,033)
	968	1,155
Total plant and equipment	1,698	2,808
Total property, plant and equipment	13,263	12,602

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Opening balance \$'000	Additions \$'000	Disposals \$'000	Impairment \$'000	Revaluation \$'000	Depreciation \$'000	Depreciation on disposals \$'000	Closing balance \$'000
Consolidated Group								
Freehold land	5,530	-	-	-	1,700	-	-	7,230
Buildings	4,264	21	-	-	213	(163)	-	4,335
Plant and equipment	388	293	(197)	(39)	-	(153)	195	487
Motor vehicles	429	-	(151)	-	-	(186)	151	243
Office machines	443	84	-	(356)	-	(171)	-	-
Furniture and fittings	393	97	-	(361)	-	(129)	-	-
Leasehold improvements	1,155	142	-	(166)	-	(163)	-	968
Total	12,602	637	(348)	(922)	1,913	(965)	346	13,263

All the group's land and buildings were independently valued in August 2018. The Directors believe the valuation of the group's land and buildings reflect the fair value of the group's land and buildings as at 30 June 2018. If the cost model had been used, the carrying amount of the revalued land and buildings would be \$7,815,341 (2017: \$7,794,504).

The Minister for Ageing, Disability and Home Care has an equitable interest in four properties acquired in 2007 and one acquired in March 2011 which have a written down value of \$6,240,000 at 30 June 2018. The equitable interest was acquired wholly or partly with funding the Minister provided in proportion to the purchase

Disability Services Australia Limited
Notes to the financial statements for the year ended 30 June 2018

cost of the property that was paid for by funding provided. Upon sale or other disposal of the property the Minister's equity is an equivalent proportion of the selling price or market price of the property, whichever is the greater.

The property at Condell Park is subject to a Registered Mortgage held by the Commonwealth Bank of Australia as security for a Bank Guarantee Facility with a limit of \$2,470,000 of which \$749,000 has been utilised at 30 June 2018 (2017: \$721,000), as disclosed in Note 22.

Note 13: Intangible assets

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Capitalised software		
Gross carrying amount		
Balance at 1 July	946	1,200
Additions	55	123
Reallocation	(226)	-
Impairment	(119)	(377)
Balance at 30 June	656	946
Amortisation and impairment		
Balance at 1 July	682	758
Amortisation	62	165
Reallocation	(225)	-
Impairment	137	(241)
Balance at 30 June	656	682
Carrying amount at 30 June	-	264

Note 14: Trade and other payables

Current		
Trade payables	762	469
Sundry payables and accrued expenses	3,554	3,121
	4,316	3,590

Note 15: Provisions

Current		
Employee benefits	3,792	3,509
	3,792	3,509
Non-current		
Employee benefits	1,158	1,058
	1,158	1,058

The current portion of these liabilities consists of Disability Services Australia Limited's obligations to its current employees that are expected to be settled during 2019. These liabilities arise mainly from accrued annual leave and long service leave entitlements at the balance sheet date.

A provision has been recognised for employee entitlements relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 3.

Note 16: Other current liabilities

Funding received in advance	1,522	6,351
	1,522	6,351

Note 17: Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to members and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Note 18: Reserves

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of land and buildings and available-for-sale securities.

Asset Realisation Reserve

The asset realisation reserve records the gain or loss on the disposal of financial assets.

Note 19: Controlled entity

	Country of Incorporation	Percentage owned (%)	
		2018	2017
Subsidiary of Disability Services Australia Limited:			
Macquarie Employment Training Service (METS)	Australia	100%	100%

Note 20: Capital and leasing commitments

	Consolidated Group	
	2018 \$'000	2017 \$'000
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
- not later than 12 months	2,676	2,485
- between 12 months and five years	5,588	5,225
- greater than five years	564	1,301
	<u>8,828</u>	<u>9,011</u>

The property leases are non-cancellable leases with between 3 and 10 year terms. There are also a number of motor vehicles being leased, with leases generally between 3 and 4 years.

Note 21: Company limited by guarantee

On 23 July 1982 the parent entity was incorporated in New South Wales under the Companies (New South Wales) Code, as a company limited by guarantee. The amount of the guarantee is limited by the memorandum of association to an amount not exceeding \$50 per member. This guarantee is not capable of being called up except for the purpose of the winding up of the parent entity.

Note 22: Contingent liabilities

Guarantees provided with respect to rental agreements (note 12)	<u>749</u>	<u>721</u>
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There were no other contingent liabilities at balance date.

Note 23: Cash flow information

	Consolidated Group	
	2018	2017
	\$'000	\$'000
Reconciliation of Cash Flow from Operations with Surplus after Income Tax		
Surplus after income tax	7,035	4,624
Non-cash flows in surplus		
Depreciation	965	822
Amortisation	62	165
Impairment	1,179	136
Changes in assets and liabilities		
(Increase) in trade and term debtors	(3,049)	(2,797)
Decrease in other assets	6	8
Decrease in inventories	5	48
(Decrease)/Increase in payables	(4,103)	2,472
Increase in provisions	383	524
	2,483	6,002

Note 24: Parent Company Information

Information relating to Disability Services Australia Limited ('the parent entity'):

	2018	2017
	\$'000	\$'000
Assets		
Current assets	21,328	22,543
Non-current assets	25,836	17,188
Total assets	47,164	39,731
Liabilities		
Current liabilities	11,933	13,524
Non-current liabilities	1,158	642
Total liabilities	13,091	14,166
Equity		
Retained earnings	27,494	21,277
Asset revaluation reserve	6,704	4,484
Asset realisation reserve	(125)	(196)
Total equity	34,073	25,565
Financial performance		
Profit for the year	6,217	3,944
Other comprehensive income	2,290	222
Total comprehensive income	8,507	4,166
Contingent liabilities		
Estimates of material amounts of contingent liabilities, not provided for in the accounts, arising from:		
Guarantees provided with respect to rental agreements (note 12)	749	721

There were no other contingent liabilities at balance date.

Note 25: Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

The financial report was authorised for issue on 20 September 2018 by the Board of Directors.

Note 26: Fundraising activities conducted

Fundraising appeals conducted in 2018, under the Charitable Fundraising Act 1991, included telemarketing and mail acquisition and submission based proposals. All grant funds were designated toward the purpose for which they were applied across our Employment Service, Community Support Service and Business Service Units.

The costs of raising these funds was 24.2% (2017: 76.4%) of the gross revenue received. This included the costs of events, all promotional activity and the payment for all administrative services including salaries for fundraising staff.

Results of fundraising appeals

	Consolidated Group	
	2018	2017
	\$	\$
Community fundraising and submissions	35,630	328,904
Individual giving	284,641	370,728
Philanthropy	501,000	100,000
Total funds raised	821,271	799,632
Less: Total costs of fundraising appeals	(198,439)	(610,604)
Net Surplus	622,832	189,028

Note 27: Company details

The registered office and principal place of business of the company is:

Disability Services Australia
76 Harley Crescent
Condell Park NSW 2200

Responsible entities' declaration

In the opinion of the Responsible Entities of Disability Services Australia Limited:

1. The consolidated financial statements and notes of Disability Services Australia Limited are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - a complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Act 2012; and
 - b giving a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group.
2. There are reasonable grounds to believe that Disability Services Australia Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Responsible Entities.



K Gabb
Responsible Entity

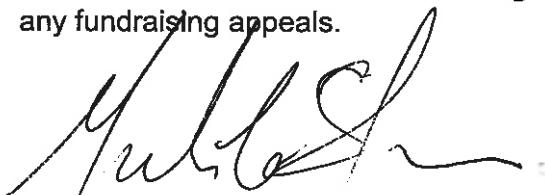
Dated this 20th day of September 2018

Declaration by Chief Executive Officer in respect of fundraising appeals

Opinion

I, Mark Spurr, Chief Executive Officer of Disability Services Australia Limited declare, in my opinion:

- a the financial statements give a true and fair view of all income and expenditure of Disability Services Australia Limited with respect to fundraising appeal activities for the financial year ended 30 June 2018;
- b the Statement of Financial Position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2018;
- c the provisions of the Charitable Fundraising (NSW) Act 1991 and the Regulations under that Act and the conditions attached to the authority have been complied with during the period from 1 July 2017 to 30 June 2018; and
- d the internal controls exercised by Disability Services Australia Limited are appropriate and effective in accounting for all income received and applied from any fundraising appeals.



M Spurr
Chief Executive Officer
Dated this 20th day of September 2018

Independent Auditor's Report

To the Members of Disability Services Australia Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Disability Services Australia Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, and 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, the Responsible entities' declaration, and the declaration by the Chief Executive Officer in respect of fundraising appeals.

In our opinion, the financial report of Disability Services Australia Limited:

1. has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* ("ACNC Act"), 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;
 - b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- 2 is in accordance with the Charitable Fundraising Act 1991 ("the Act") and the Charitable Fundraising Regulation 2015 (the "Regulation"), including showing a true and fair view of the Group's financial result of fundraising appeals for the year ended 30 June 2018.

Basis for opinion

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

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

Information other than the Financial Report and Auditor's Report

Those charged with governance are responsible for the other information. The other information comprises the information included in the Group's annual report for the financial 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 and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the 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 have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulation 2015

We have audited the compliance of Disability Services Australia Limited with the requirements of Section 24(2) of the Charitable Fundraising Act 1991 for the year ended 30 June 2018.

Our Opinion

In our opinion:

- a Disability Services Australia Limited has properly kept the accounts and associated records during the year ended 30 June 2018 in accordance with the NSW Charitable Fundraising Act 1991 and NSW Charitable Fundraising Regulations 2015 (section 24(2)(b) of the Act);
- b the Company, has, in all material respects, properly accounted for and applied money received as a result of fundraising appeals conducted during the year ended 30 June 2018 in accordance with section 24(2)(c) of the Act; and
- c there are reasonable grounds to believe that Disability Services Australia Limited will be able to pay its debts as and when they fall due over the 12 month period from the date of this report (section 24(2)(d) of the Act).

Responsibilities of the Directors under the Charitable Fundraising Act 1991

The Directors of the Company are responsible for compliance with the requirements and conditions of the NSW Charitable Fundraising Act 1991 and NSW Charitable Fundraising Regulation 2015 and for such internal control as the Directors determine is necessary for compliance with the Act and the Regulation. This responsibility includes establishing and maintaining internal control over the conduct of all fundraising appeals; ensuring all assets obtained during, or as a result of, a fundraising appeal are safeguarded and properly accounted for; and maintaining proper books of account and records.

The Directors are also responsible for ensuring the Company will be able to pay its debts as and when they fall due.

Auditor's Responsibility

Our responsibility is to form and express an opinion on the Company's compliance, in all material respects, with the requirements of the Act and Regulation, as specified in section 24(2)(b), 24(2)(c) and 24(2)(d) of the Charitable Fundraising Act 1991.

Our audit has been conducted in accordance with the applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*), issued by the Auditing and Assurance Standards Board. Our audit has been conducted to provide reasonable assurance that Disability Services Australia Limited has complied with specific requirements of the Charitable Fundraising Act 1991 and Charitable Fundraising Regulation 2015, and whether there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due over the 12 month period from the date of this independent auditor's report ("future debts").

Audit procedures selected depend on the auditor's judgement. The auditor designs procedures that are appropriate in the circumstances and incorporate the audit scope requirements set out in the Act. The audit procedures have been undertaken to form an opinion on compliance of Disability Services Australia Limited with the Act and Regulations and its ability to pay future debts. Audit procedures include obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting the Company's compliance with specific requirements of the Act and Regulation, and assessing the reasonableness and appropriateness of the Company's assessment regarding the Company's ability to pay future debts.

Inherent Limitations

Because of the inherent limitations of any compliance procedures, it is possible that fraud, error or noncompliance may occur and not be detected. An audit is not designed to detect all instances of noncompliance with the requirements of the Act and Regulation, as the audit procedures are not performed continuously throughout the year and are undertaken on a test basis.

Whilst evidence is available to support the Company's ability to pay future debts, such evidence is future orientated and speculative in nature. As a consequence, actual results are likely to be different from the information on which the opinion is based, since anticipated events frequently do not occur as expected or assumed and the variations between the prospective opinion and the actual outcome may be significant.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley

Partner – Audit & Assurance
Sydney, 20 September 2018