

Disability Services Australia Limited

ABN 35 002 507 655

Annual report for the year ended 30 June 2017

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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 2017.

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 nine years |
| Special responsibilities | - Chair of Board Nomination and Remuneration Committee
- Member of Finance and Risk Committee |
| Thomas Leahy | - Director, Vice Chair |
| Qualifications | - Diploma in Marketing. Twenty five years experience in the insurance industry including several senior management roles. Consulting and senior management roles in a broad range of companies in Australia and overseas. Active member of Boystown for twenty seven years. |
| Experience | - Director for seven 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 one year |
| Special Responsibilities | - Member of the Finance and Risk Committee |
| Vik Bansal | - Director |
| 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 |

- 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) and is a Member of the Australian Institute of Company Directors.
- Experience** - Director for five 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 qualifications in Communication Management, as well as Psychotherapy and is currently completing her PhD in Philosophy.
- Experience** - Director for three years
- Special responsibilities** - Member of Fundraising Committee
- Member of Board Nomination and Remuneration 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 four years
- Special responsibilities** - Member of Fundraising Committee
- Margaret Palmer** - **Director**
- Qualifications** - Extensive experience as CFO with a number of not-for-profit organisations, currently General Manager, Corporate Services/ CFO with the Sydney North Primary Health Network. Holds a Masters Degree in Accounting and Finance, an MBA and Certificate in Governance Practices. CPA and Fellow of the Institute of Chartered Secretaries Australia, Advisory Committee Member of the Institute of Public Accountants
- Experience** - Director for five years
- Special responsibilities** - Member of Finance and Risk Committee

Matthew Payne - Director

Qualifications - Partner at TressCox Lawyers. More than 10 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 and a trustee, director and company secretary of a number of private entities.

Experience - Director for three years

Special responsibilities Member of Board Nomination and Remuneration Committee

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	6
Gary Bailey	6	6
Vik Bansal	6	2
Maryann Dalton	6	5
Barbara Jones	6	5
Bernie Liebmann	6	6
Margaret Palmer	6	4
Matthew Payne	6	5

Committee Meetings of Board of Directors

Directors	Board Nomination and Remuneration Committee		Finance and Risk Committee		Fundraising 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	-	-
Tom Leahy	1	1	2	2	-	-
Gary Bailey	-	-	2	2	-	-
Vik Bansal	-	-	-	-	-	-
Maryann Dalton	1	-	-	-	5	5
Barbara Jones	-	-	-	-	5	3
Bernie Liebmann	-	-	-	-	5	5
Margaret Palmer	-	-	2	1	-	-
Matthew Payne	1	1	-	-	-	-

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 \$4,624,000 (2016: \$2,098,000). The surplus included Capital Funding of \$287,000 (2016: nil) and was achieved after deducting the net investment in Fundraising of \$87,000 (2016: \$539,000).

Review of operations

The consolidated group's revenue from the rendering of Business Services of \$8,178,000 (2016: \$6,369,000) was 28.4% higher than the year ended 30 June 2016. Government funding (excluding capital subsidies) increased by 16.2% to \$57,384,000 (2016: \$49,372,000).

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 14th day of September 2017



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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 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- b 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, 14 September 2017

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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

		Consolidated Group	
	Notes	2017 \$'000	2016 \$'000
Sales revenue	4	8,178	6,369
Cost of sales		(7,796)	(5,943)
Gross profit		<u>382</u>	<u>426</u>
Government subsidies	4	57,662	49,372
Other revenue	4	2,880	3,446
Other income	4	26	35
Employee expenses		(45,484)	(38,486)
Marketing and research expenses		(251)	(335)
Occupancy expenses		(3,516)	(3,852)
Administration expenses		(6,057)	(6,672)
Finance costs		(24)	(28)
Other expenses		(994)	(1,808)
Surplus before income tax	5	4,624	2,098
Income tax		-	-
Surplus for the year		<u>4,624</u>	<u>2,098</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gain on revaluation of Investments		396	101
Net loss on sale of Investments		(120)	(158)
Other comprehensive income /(loss) for the year		<u>276</u>	<u>(57)</u>
Total comprehensive income for the year		<u>4,900</u>	<u>2,041</u>

Statement of financial position

As at 30 June 2017

	Notes	Consolidated Group	
		2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	7	19,050	14,461
Trade and other receivables	8	4,259	1,461
Inventories	9	117	165
Other current assets	10	1,606	2,071
Total current assets		25,032	18,158
Non-current assets			
Financial assets	11	4,317	3,889
Property, plant and equipment	12	12,602	11,830
Intangible assets	13	264	442
Total non-current assets		17,183	16,161
Total assets		42,215	34,319
Current liabilities			
Trade and other payables	14	3,590	3,124
Short-term provisions	15	3,509	3,401
Other current liabilities	16	6,351	4,345
Total current liabilities		13,450	10,870
Non-current liabilities			
Long-term provisions	15	1,058	642
Total non-current liabilities		1,058	642
Total liabilities		14,508	11,512
Net assets		27,707	22,807
Equity			
Asset revaluation reserve	18	4,482	4,695
Asset realisation reserve	18	(196)	(685)
Retained earnings		23,421	18,797
Total equity		27,707	22,807

Statement of changes in equity

For the year ended 30 June 2017

	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2015	4,660	(593)	16,699	20,766
Surplus for the year	-	-	2,098	2,098
Total other comprehensive income for the year	101	(158)	-	(57)
Transfer for shares sold during the year	(66)	66	-	-
Balance at 30 June 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

Statement of cash flows

For the year ended 30 June 2017

	Notes	Consolidated Group	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		75,300	65,832
Payments to suppliers and employees		(69,685)	(61,745)
Interest received		411	478
Finance costs		(24)	(28)
Net cash provided by operating activities	23	<u>6,002</u>	<u>4,537</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	5
Payment for property, plant and equipment		(1,595)	(429)
Payment for capitalised software		(123)	(5)
Proceeds from/ (payments for) term deposits		457	(1,612)
Proceeds from the sale of investments in shares		3,053	1,174
Payment for investments in shares		(3,205)	(1,235)
Net cash used in investing activities		<u>(1,413)</u>	<u>(2,102)</u>
Net increase in cash and cash equivalents held		4,589	2,435
Cash and cash equivalents at beginning of financial year		<u>14,461</u>	<u>12,026</u>
Cash and cash equivalents at end of financial year	7	<u><u>19,050</u></u>	<u><u>14,461</u></u>

Notes to the financial statements

For the year ended 30 June 2017

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 2017 (including comparatives) were approved and authorised for issue by the Board of Directors on 14 September 2017.

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 2017. 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	
	2017	2016
	\$'000	\$'000
Note 4: Revenue		
Operating revenue		
- Rendering of business services	8,178	6,369
- Government subsidies	57,662	49,372
- Interest received	411	478
- Donations received	518	547
- Other revenue	1,951	2,421
Total revenue	68,720	59,187
Other income		
- Profit on disposal of property, plant and equipment	26	35
Total other income	26	3

	Consolidated Group	
	2017	2016
	\$'000	\$'000
Note 5: Result for the year		
Expenses		
Finance costs	24	28
Depreciation and amortisation of non-current assets		
- Property, plant and equipment	822	862
- Capitalised software	165	383
Total depreciation and amortisation	987	1,245
Impairment of fixed assets and capitalised software	136	145
Bad and doubtful debts:		
- Trade receivables	-	-
Rental expenses on operating leases	2,601	2,426

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	1,725	1,707
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The Directors did not receive any remuneration during the financial year.

Tress Cox Lawyers provided pro-bono services and fees for service (\$12,000) to the group in 2017. Matthew Payne is a partner in Tress Cox 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.

Note 7: Cash and cash equivalents

Cash at bank	1,804	919
Cash on hand	6	1
Cash management account	1	2
Funds on deposit	17,239	13,539
Cash and cash equivalents	19,050	14,461

The effective interest rate on short-term bank deposits was 2.47% (2016: 2.95%); these deposits have an average maturity of 99 days, some of which are accessible if required.

	Consolidated Group	
	2017	2016
	\$'000	\$'000
Note 8: Trade and other receivables		
Current		
Trade receivables	2,695	1,062
Provision for impairment of receivables	(85)	(85)
	<u>2,610</u>	<u>977</u>
Other debtors	1,649	484
	<u>4,259</u>	<u>1,461</u>

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 of bad debt provision		
Balance at 1 July	85	65
Increase in allowance	-	20
	<u>85</u>	<u>85</u>
Balance at 30 June	85	85

Note 9: Inventories

Current		
Workshop materials at cost	<u>117</u>	<u>165</u>

Note 10: Other current assets

Current		
Term deposit	1,600	2,057
Prepayments	6	14
	<u>1,606</u>	<u>2,071</u>

Note 11: Financial assets

Available-for-sale financial assets		
- shares in listed corporations, at fair value	4,312	3,889
- shares in unlisted corporation, at fair value	5	-
	<u>4,317</u>	<u>3,889</u>
Total available-for-sale financial assets	<u>4,317</u>	<u>3,889</u>

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	
	2017 \$'000	2016 \$'000
Land and buildings		
Freehold land at valuation	5,530	5,530
Buildings at valuation	6,070	6,070
Accumulated depreciation	(1,806)	(1,645)
	<u>4,264</u>	<u>4,425</u>
Total land and buildings	<u>9,794</u>	<u>9,955</u>
Plant and equipment		
Plant and equipment at cost	1,388	1,327
Accumulated depreciation	(1,000)	(900)
	<u>388</u>	<u>427</u>
Motor vehicles at cost	1,603	1,588
Accumulated depreciation	(1,174)	(1,016)
	<u>429</u>	<u>572</u>
Office machines at cost	781	542
Accumulated depreciation	(338)	(202)
	<u>443</u>	<u>340</u>
Furniture and fittings at cost	1,316	1,063
Accumulated depreciation	(923)	(830)
	<u>393</u>	<u>233</u>
Leasehold improvements at cost	2,188	1,213
Accumulated depreciation	(1,033)	(910)
	<u>1,155</u>	<u>303</u>
Total plant and equipment	<u>2,808</u>	<u>1,875</u>
Total property, plant and equipment	<u>12,602</u>	<u>11,830</u>

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	Depreciation on disposals \$'000	Depreciation \$'000	Closing balance \$'000
Consolidated Group							
Freehold land	5,530	-	-	-	-	-	5,530
Buildings	4,425	-	-	-	-	(161)	4,264
Plant and equipment	427	87	(26)	-	26	(126)	388
Motor vehicles	572	41	(26)	-	26	(184)	429
Office machines	340	239	-	-	-	(136)	443
Furniture and fittings	233	253	-	-	-	(93)	393
Leasehold improvements	303	975	-	-	-	(122)	1,155
Total	11,830	1,595	(52)	-	52	(822)	12,602

All the group's land and buildings were independently valued in August 2015. 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 2017. If the cost model had been used, the carrying amount of the revalued land and buildings would be \$7,794,504 (2016: \$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 \$5,435,000 at 30 June 2017. The equitable interest was acquired wholly or partly with funding the Minister provided in proportion to the purchase 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 \$721,000 has been utilised at 30 June 2017 (2016: \$513,000), as disclosed in Note 22.

Note 13: Intangible assets

	Consolidated Group	
	2017	2016
	\$'000	\$'000
Capitalised software		
Gross carrying amount		
Balance at 1 July	1,200	1,390
Additions	123	156
Disposals	-	(162)
Impairment	(377)	(184)
Balance at 30 June	946	1,200
Amortisation and impairment		
Balance at 1 July	758	510
Amortisation	165	383
Disposals	-	(87)
Impairment	(241)	(48)
Balance at 30 June	682	758
Carrying amount at 30 June	264	442

Note 14: Trade and other payables

Current		
Trade payables	469	690
Sundry payables and accrued expenses	3,121	2,434
	3,590	3,124

Note 15: Provisions

Current		
Employee benefits	3,509	3,401
Non-current		
Employee benefits	1,058	642

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 2018. 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	6,351	4,345
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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 (%)	
		2017	2016
Subsidiary of Disability Services Australia Limited:			
Macquarie Employment Training Service (METS)	Australia	100%	100%

Note 20: Capital and leasing commitments

	Consolidated Group	
	2017 \$'000	2016 \$'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	2,485	2,610
— between 12 months and five years	5,225	2,894
— greater than five years	1,301	1,156
	<u>9,011</u>	<u>6,660</u>

The property leases are non-cancelable 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>721</u>	<u>513</u>
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There were no other contingent liabilities at balance date.

Note 23: Cash flow information

	Consolidated Group	
	2017	2016
	\$'000	\$'000
Reconciliation of Cash Flow from Operations with Surplus after Income Tax		
Surplus after income tax	4,624	2,098
Non-cash flows in surplus		
Depreciation	822	862
Amortisation	165	383
Impairment	136	145
Loss on disposal of fixed assets	-	-
Changes in assets and liabilities		
(Increase)/Decrease in trade and term debtors	(2,797)	121
Decrease in other assets	8	149
Decrease/(Increase) in inventories	48	(28)
Increase in payables	2,472	611
Increase in provisions	524	196
	<u>6,002</u>	<u>4,537</u>

Note 24: Parent Company Information

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

	2017	2016
	\$'000	\$'000
Assets		
Current assets	22,543	16,564
Non-current assets	17,188	16,203
Total assets	<u>39,731</u>	<u>32,767</u>
Liabilities		
Current liabilities	13,524	10,782
Non-current liabilities	642	642
Total liabilities	<u>14,166</u>	<u>11,424</u>
Equity		
Retained earnings	21,277	17,332
Asset revaluation reserve	4,484	4,696
Asset realisation reserve	(196)	(685)
Total equity	<u>25,565</u>	<u>21,343</u>
Financial performance		
Profit for the year	3,944	1,498
Other comprehensive income	222	(56)
Total comprehensive income	<u>4,166</u>	<u>1,442</u>
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)	721	513

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 14 September 2017 by the Board of Directors.

Note 26: Fundraising activities conducted

Fundraising appeals conducted in 2017, 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 net cash outflow in respect of fundraising activities was \$87,000 in 2017 (2016 \$539,000).

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 2017 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

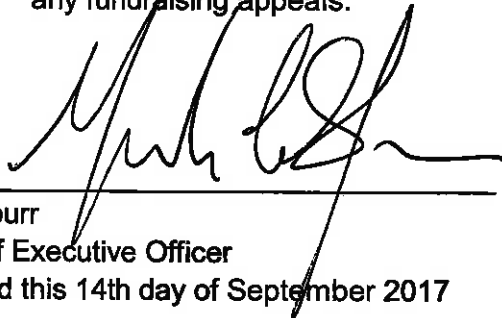
Dated this 14th day of September 2017

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 2017;
- 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 2017;
- 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 2016 to 30 June 2017; 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 14th day of September 2017



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Independent Auditor's Report To the Members of Disability Services Australia Limited

Auditor's Opinion

We have audited the financial report of Disability Services Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and comprising 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, of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

- a presents fairly, in all material respects, the financial position as at 30 June 2017 and of its performance and cash flows for the year then ended;
- b complies with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013;
- c the financial report shows a true and fair view of the financial results of fundraising appeals for the year;
- d the financial report and associated records have been properly kept during the year in accordance with the Charitable Fundraising Act 1991 and the regulations;
- e monies received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and its Regulations; and
- f there are reasonable grounds to believe that Disability Services Australia Limited will be able to pay its debts as and when they fall due.

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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 Australian Charities and Not-for-profits Commission Act 2012 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.

Responsibility of the Directors of the Company 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, the Charitable Fundraising Act 1991, and the Australian Charities and Not-for-profits Commission Act 2012. This responsibility includes such internal controls as the Directors of the Responsible Entity determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Company are responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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/ar3.pdf. This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C.F. Farley
Partner - Audit & Assurance

Sydney, 14 September 2017