Transformation

Annual Financial Report 2017

benevolent SOCIETY

Financial report 2017
Contents

This financial report covers The Benevolent Society and is presented in Australian currency.

The Benevolent Society is a company limited by guarantee, incorporated and domiciled in Australia. Its registered place of business is:
The Benevolent Society
Level 1, 188 Oxford Street
Paddington New South Wales 2021

A description of the nature of The Benevolent Society's operations and its principal activities is included in the review of operations and activities in the Directors' Report.

The financial report was authorised for issue by the Directors on 25 September, 2017.

The Directors have the power to amend and reissue the financial report.

All press releases, financial reports (2007 to current) and other information are available at www.benevolent.org.au

ABN 95 084 695 045

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo New South Wales 2000

Bankers

Commonwealth Bank
363 George Street
Sydney New South Wales 2000

National Australia Bank
255 George Street
Sydney New South Wales 2000

Westpac Banking Corporation
275 Kent Street
Sydney New South Wales 2000

Directors' report
For the year ended 30 June 2017

Directors

The following people were Directors of The Benevolent Society during the whole of the financial year up to the date of this Report, except where noted:

Lisa Chung (Chairman)
Andrew Yates
(Chairman of the Audit, Finance and Risk Committee)
Kathleen Conlon
(Chairman of the People and Culture Committee)
Robert Warren
Tim Beresford
Karen Healy
Mike Beckerleg
Charles Prouse
Rod Young (Appointed on 1 November 2016)

All Directors are members of The Benevolent Society (see Note 15(a) on page 28 for more information)

Vision and values

As Australia's first charity, The Benevolent Society is a not-for-profit and non-religious organisation that has helped people, families and communities achieve positive change since 1813.

Our vision is for a just society where all Australians can live their best life. Creating a just society means advocating for fundamental changes. For over 200 years, The Benevolent Society has pioneered new solutions to social problems and spoken out against disadvantage.

Our values guide us to stand strong, to never give up, to speak out on the issues that matter and to make a difference every day for people of all ages and backgrounds.

Strategic Plan

Our Strategic Plan gives us direction, highlights the social policy changes we believe are needed and helps us bring our vision to life.

Defining measurable goals and targets helps to keep us on track and ensures our efforts lead to tangible social impact. In 2016 we launched our Strategic Plan which took effect from 1 January 2016 and is currently guiding our activities for the three year period: 2016 to 2019. The strategic plan objectives are highlighted in the Annual Report.

Principal activities

Our principal activities are summarised in Figure 1 below.

People find themselves vulnerable for all sorts of reasons: financial hardship, mental health issues, family breakdown, or simply as a result of growing older. The breadth of our service offering allows us to be flexible in how we respond to these social issues, so we can find a way to help people cope with life's challenges, whatever their circumstances.

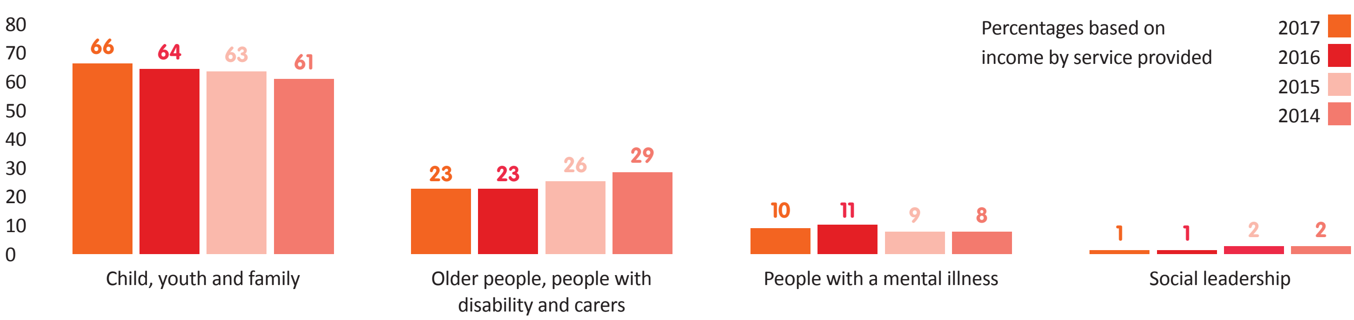
We work with people of all ages and backgrounds, in New South Wales, and Queensland. We create positive social change 'on the ground' by delivering quality community services.

We influence social policy nationally through our research and advocacy work.

Building stronger families and resilient children and supporting older people and people with a disability are our main areas of focus. This includes child protection, early intervention, building community capacity and home care and support services. We also provide services that offer pathways to better mental health and wellbeing, including programs to address domestic violence and drug and alcohol addiction. We continue to provide counselling and support for people affected by adoption, which has national reach through online networks.

Everything we do is underpinned by the skills of our workforce, the passion of our volunteers and our generous donors, corporate partners and funders. The Benevolent Society employs 904 staff, the equivalent of 775 full time staff throughout New South Wales and Queensland.

Figure 1: Principal activities (%)



Approximately 658 volunteers are involved in our community services and in roles supporting our corporate services teams. We also partner with a wide range of nonprofit agencies, academic bodies and government departments.

Performance

The Benevolent Society monitors performance through a series of benchmarks including:

- program outputs versus targeted outputs
- actual performance versus budgeted performance
- the cost-effectiveness of fundraising activities; and
- the cost of administration and indirect costs to support operations.

We also evaluate program delivery outcomes through client feedback surveys and evaluation studies.

Review of operations and results

Net surplus/deficit

The net deficit for the year ended 30 June 2017 was $1,086,000 (2016 surplus: $5,056,000). The organisation achieved an operating breakeven result for the year ended 30 June 2017. During the year The Benevolent Society successfully tendered for the transfer from the NSW State Government of its statewide disability clinical services operations and the transaction and transition costs associated with this transfer resulted in a net deficit for the year.

Revenue

See Figure 2 below.

- Total revenue decreased by 3% to $108,454,000
- Revenue also included $1,830,000 from the sale of William Charlton Retirement Village
- Revenue from our Endowment fund and investment in Goodstart Early Learning amounted to $6,915,000 (2016: $13,055,000)
- Operating revenue, excluding revenue from investments and other income, increased by 1% to $99,088,000

Expenses

See Figure 3, below.

- Expenses from continuing operations grew by 3% from $106,619,000 to $109,540,000
- The key driver of the increase in expenditure was increased costs related to infrastructure and investment $11,910,000 (2016: $6,186,000)
- The cost of managing The Benevolent Society's Endowment portfolio was less than 0.47% of the Endowment Assets.

Net Assets

The Benevolent Society's net assets increased by 4% to $143,605,000. The increase of $4,968,000 was primarily due to an increase in the value of our investments.

Cash flows

Cash reserves increased by $4,552,000 this year.

- Operating activities generated a cash deficit of $18,000
- Our investment activities generated a cash surplus of $4,643,000
- Financing activities generated a cash deficit of $73,000 resulting mainly from the repayment of bonds and deposits.

Significant changes in the state of affairs

There was no significant change in the state of affairs of The Benevolent Society during the financial year.

Matters subsequent to the end of the financial year

On 28 July 2017, the NSW state government transferred its state wide disability clinical service operations to The Benevolent Society, following a successful tender by The Benevolent Society. The Benevolent Society is currently in the process of fully integrating these services. The transfer includes 689 employees coming across to The Benevolent Society group, specialising mainly in individual therapy, support coordination and behavioural support. The Benevolent Society group employee numbers will increase by 76% as a result of the disability services transfer.

Figure 2: Our revenue (Millions)

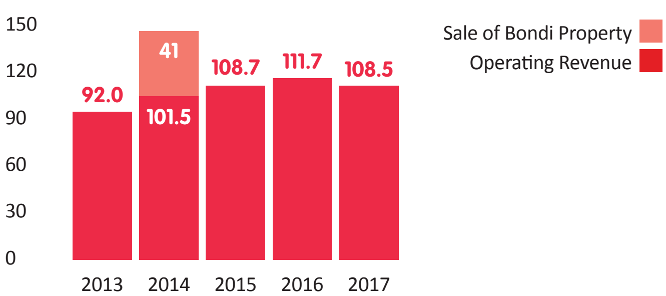
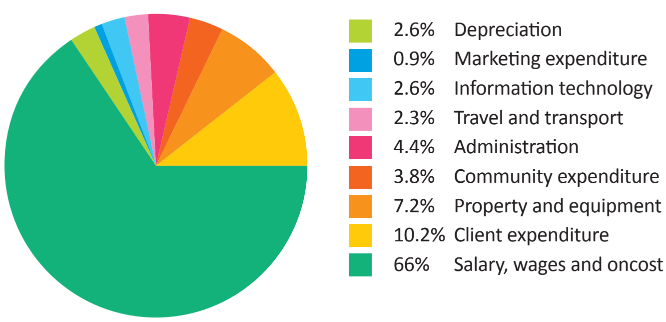


Figure 3: How we spent our funds



Likely developments and expected results of operations

The inclusion of the new disability clinical services operations will result in significant changes to The Benevolent Society's operations and results from 28 July 2017 onwards.

Other than the above, in the opinion of the Directors there are no likely changes in The Benevolent Society's operations which may adversely affect The Benevolent Society.

Dividends

The Benevolent Society is a company limited by guarantee. It is prohibited by its Constitution from paying dividends to members.

Information on Directors

The people listed in the table at Figure 5 below were Directors of The Benevolent Society during the financial year and up to the date of this report.

Directors' meetings

The table at Figure 5 also shows the number of Board and Board sub-committee meetings held while the person was a Director, during the year ended 30 June 2017, and the number of meetings each attended.

Retirement, election and continuation in office of Directors

Rod Young was appointed as a Director on 1 November 2016. He continues in office at the date of this report.

Remuneration of Directors

The Benevolent Society's Directors are not remunerated.

Loans to Directors and executives

There are no loans to The Benevolent Society's Directors or executives.

Insurance of officers

During the financial year, The Benevolent Society paid premiums of $26,450 (2016: $26,450) to insure its Directors, Secretary, and all executive officers of The Benevolent Society against a liability incurred by them, to the extent permitted by the *Corporations Act 2001.*

The Benevolent Society is insured for any loss for which a Director or officer becomes legally obligated to pay resulting from a wrongful act, and any amount for which The Benevolent Society indemnifies any Director, Secretary or executive officer in respect of any claims made against the Director or officer arising from a wrongful act.

The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors and executive officers.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of The Benevolent Society.

Proceedings on behalf of The Benevolent Society

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of The Benevolent Society, nor to intervene in any proceedings to which The Benevolent Society is a party, for the purpose of taking responsibility on behalf of The Benevolent Society for all or part of those proceedings.

Figure 4: Composition of the Board

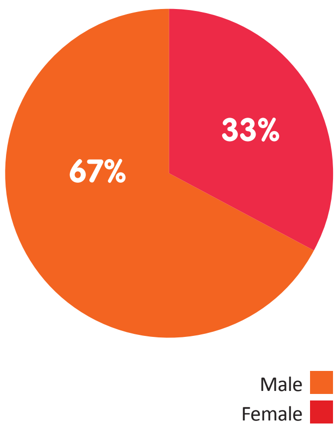


Figure 5: Directors' meetings

Director	Board of Directors		Extra Board		Audit, Finance & Risk Committee		People & Culture Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lisa Chung	10	10	5	4	4	3	1	1
Robert Warren	10	10	5	4				
Tim Beresford	10	8	5	2	4	3		
Andrew Yates	10	10	5	5	4	4		
Kathleen Conlon	10	8	5	1	4	4	1	1
Karen Healy	10	7	5	4			1	0
Charles Prouse	10	9	5	4				
Mike Beckerleg	10	10	5	4			1	1
Rod Young	6	5	5	3				

No proceedings have been brought, or intervened in, on behalf of The Benevolent Society, with leave of the Court under section 237 of the *Corporations Act 2001*.

Other assurance services

The Benevolent Society may decide to employ the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties, where the auditor's expertise and previous experience with The Benevolent Society is relevant. These assignments are principally in relation to assurance on the acquittal of government grants.

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out on in Figure 6 below.

In accordance with advice received from the Audit, Finance and Risk Committee, the Board of Directors is satisfied that the provision of non- audit services is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditors.
- None of the services undermine the general principles relating to auditors' independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Auditor's independence declaration

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

Rounding of amounts

In relation to the "rounding off" of amounts in the Directors' Report, The Benevolent Society is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.*

Amounts in the Directors' Report have been rounded off in accordance with that *Class Order* to the nearest thousand dollars, and in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of Directors.

Lisa Chung

Lisa Chung
Chairman
Sydney, 25 September 2017

Figure 6: Assurance and other services provided by PricewaterhouseCoopers

	2017 $	2016 $
1. Audit services		
PricewaterhouseCoopers: Audit of financial reports and other audit work under the *Australian Charities and Not-for-profits Commission Act 2012*	71,000	65,000
Total remuneration for audit services	**71,000**	**65,000**
2. Other assurance services		
PricewaterhouseCoopers: Review of government grant financial guidance on internal audit function	23,400	23,400
Total remuneration for other assurance services	**23,400**	**23,400**
3. Other services		
PricewaterhouseCoopers: M&A transaction and transition services	3,009,000	–
Total remuneration for other services	**3,009,000**	**–**
Total remuneration to PricewaterhouseCoopers	**3,103,400**	**88,400**

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of The Benevolent Society for the year ended 30 June 2017, 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.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
25 September 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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Endowment report
For the year ended 30 June 2017

Governance

The Endowment is governed by The Endowment Investment Advisory Committee ("the Committee") in accordance with its Charter. It is a standing Advisory Committee to the Board.

The Committee's purpose is to advise the Board on the following aspects of the Endowment:

- investment and disbursement policy
- investment strategy
- implementation of strategy and review of outcomes
- reporting.

Members

The Committee Members are appointed by the Board. Refer to The Endowment Advisory Committee for a full listing.

Chairman: Craig Ueland AB Ec (Stanford), MBA (Hons), CFA (Appointed May 2013).

Paul Heath SF Fin, B Com. (Appointed March 2009).

Justin Wood PhD Fin, B Com (Hons), CFA (Appointed July 2009).

Rob Warren BEc, CA, A Fin, GAICD (Appointed June 2015).

Sally Collier BEc, GAICD (Appointed September 2016).

Sam Weiss AB Harvard University, MS Columbia Business School, FAICD (Appointed November 2013, retired December 2016)

The Endowment structure

Under advice from the Committee, the Board has adopted a Strategic Asset Allocation that governs the overall diversification of the Endowment. The total Endowment Fund value at 30 June 2017 was $111,988,000. The Strategic Asset Allocation as at 30 June 2016 and 30 June 2017 and Actual Asset Allocation as at 30 June 2017 are shown in Figures 7 and 8 below. Variations from the strategic targets can occur because of market movements, tactical investment considerations, or because the Board has otherwise concluded a shift is in the best interests of The Benevolent Society. The long-term Strategic Asset Allocation is subject to annual review.

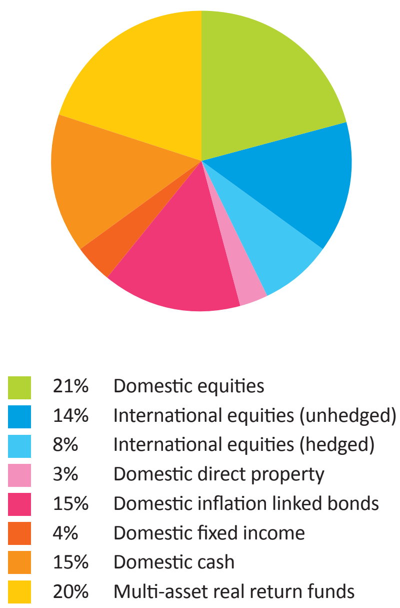
The Strategic Asset Allocation has been designed to produce, over a seven year timeframe, a real return averaging about 3.0% pa. with volatility close to 10%.

Consistent with the long term real return target, a disbursement rate of 3.0% has been agreed for the 2018 financial year. A disbursement of $4,090,000 has been recommended for The Benevolent Society's programs (2017: $4,060,000).

Figure 7: Strategic and actual allocations (%)

	Strategic 2016 %	Strategic 2017 %	Actual 2017 %
Equities	**44**	**44**	**43**
Domestic equities	23	22	21
International equities (unhedged)	14	14	14
International equities (hedged)	7	8	8
Property	**16**	**3**	**3**
Domestic direct property	16	3	3
Bonds and cash	**25**	**33**	**34**
Domestic inflation linked Bonds	15	15	15
Domestic fixed income	5	5	4
Domestic cash	5	13	15
Real return strategies	**15**	**20**	**20**
	100	**100**	**100**

Figure 8: Actual asset allocation



Investment managers

Under advice from the Committee, the Board appoints investment managers to manage the Endowment's investments. As at 30 June 2017 the following managers invested funds on behalf of the Endowment, See Figure 9 below.

Cash deposits and direct property are managed by The Benevolent Society and make up the balance of the total funds invested.

Investment performance

The Endowment assets returned 9.4% (2016: 2.4%) which represents a real return after inflation of 7.6%. The graphs below (Figures 10 and 11 on page 9) relate to total and real returns over the ten years to 2017. Up to 2011 the portfolio included business assets used for operating The Benevolent Society's programs.

The long-term objective of the Endowment is to maintain capital in real terms (that is after taking into account inflation and any disbursements paid). In years with strong investment markets and favourable economic conditions the Endowment disburses less than it earns and grows the Endowment to buffer the principal against economic downturn.

In years with weak investment markets and economic conditions (such as 2008, 2009, 2012, 2016) the Endowment disburses more than it earns and hence depletes the principal. The investment structure adopted has resulted in the Endowment earning more than its long-term expected return (3.5% p.a. until 2015, and 3.0% p.a. since 2015) in six of the last ten years.

The Endowment has generated an average real return over the past ten year period of 3.97% p.a.

Current strategy

Due to strong performances from global financial markets, the Endowment Fund earned a real return of 7.6% p.a. in 2017 which is a significant improvement on the 2016 real return, 1.3%.

Current global economic and political factors cause some investment specialists to expect positive investment conditions to continue in coming years while others expect the opposite. The risk for The Benevolent Society Endowment Fund is that if the portfolio is positioned defensively and conditions remain benign, or if it is positioned aggressively and there is a market disruption, returns will be adversely affected.

The Endowment Investment Advisory Committee conducts an annual review of the long-run strategic asset allocation (SAA, as shown in Figure 7), which seeks to balance risk with future returns over the forthcoming seven-year horizon. Asset allocation changes, when they occur, reflect both investment as well as operational factors impacting the assets of the society or its risk appetite.

Changes implemented in recent years include adjusting the mix between domestic and international equities from 62%/38% to 50%/50%, an allocation of 20% to multi-asset

Figure 9: Investment managers

	Mandate	**2016 %**	**2017 %**
Antares Fixed Income	Enhanced cash and inflation linked bonds	22	24
MLC Investments Limited	International equity and Real Return strategies	14	17
Russell Investments	Australian bonds and Real Return strategies Includes Australian shares from 2016	22	28
BlackRock Investment Management (Australia) Limited	Passive international equity Passive Australian equity	26	22

class strategies that allow external managers to actively manage asset allocation decisions and a reduction in the allocation to direct property (from 16% to 3%) to reflect the society's current growth strategy and long-term property plan.

Within the SAA, there are several important implementation decisions that affect returns, risks and costs. These are reviewed annually. They include the mix between passive (index) investment management versus active investment management, the mix between hedged versus unhedged international investment exposure and the selection and weighting of specific managers. We meet with all managers annually and seek input on both their specific mandates and wider investment factors affecting the entire Endowment portfolio.

Finally, the committee reviews whether there should be any tactical changes to the SAA or implementation strategies. The committee recognises the difficulty for any investment specialist to make tactical decisions correctly and hence, while current market conditions are debated, the default position is not to make changes.

Nevertheless, we have implemented or supported some tactical decisions. These include:

1. Within the fixed income allocation to underweight exposure to foreign sovereign bonds. The monetary policy of various central banks appear to have distorted the pricing of foreign sovereign bonds.
2. Also within the fixed income allocation to reduce the duration of bonds, for the same reason given above.
3. A decision to increase the allocation to active management from passive management under the belief that active managers will add value around market turning points and market turmoil.
4. A decision to increase the unhedged component of the Endowment's foreign currency exposure. The Australian dollar is viewed as a high beta currency (i.e., it may do "relatively" badly in a global crisis compared with major currencies).

The Endowment is a strategic asset of The Benevolent Society with a long-term time horizon. As such, it has the capacity to maintain exposure to unlisted and less liquid investments. These investments may offer a premium to patient investors who can manage the illiquidity risk. The committee has started to explore unlisted investment opportunities such as infrastructure and social impact investment that may be suitable for the Endowment in coming years.

How we utilised our Endowment funding

During the 2017 financial year The Benevolent Society Endowment provided funding of $25,000,000 towards the execution of The Benevolent Society's growth strategy and long term property plan. In addition, TBS Endowment provided funding of $4,060,000 to support The Benevolent Society's strategic agenda and provided the resources to enhance and support specific initiatives that had been identified and part funded by donors.

Figure 10: Total returns (%)

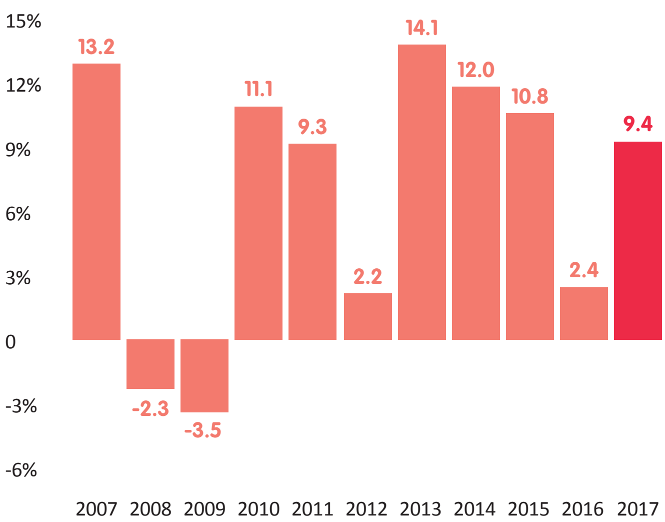
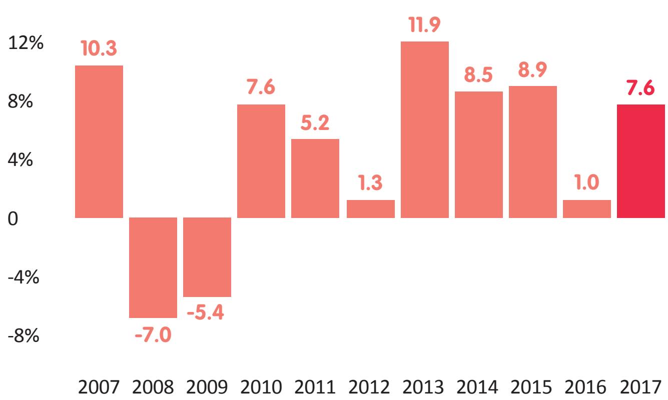


Figure 11: Real returns of the Endowment fund (%)



National influence

In our strategic plan we committed to developing two advocacy campaigns: for the essential conditions for Australians to age well and to reduce the number of children entering out of home care unnecessarily. Our campaign strategy is focused on four key areas: research; public communications; strategic partnerships; and political engagement.

This year we published original research that investigated the adequacy of the aged pension. We discovered that people primarily reliant on the aged pension face considerable hardship, particularly single women and those who do not own their own home. Since publishing the research we have engaged with older people, politicians and bureaucrats, representative groups, service providers and business groups right across the country to promote the recommendation. We have also commenced work on a broader campaign focused on tackling ageism which will be launched in 2018 under the banner: EveryAge Counts.

Our child and family campaign is in the build phase. We are engaging with family support providers across the country and have commissioned original research on public attitudes to child protection. We are involved as the only not-for-profit partner in an exercise to change the Australian public's perceptions of parenting in order to make it easier for vulnerable families to seek help. We will launch the campaign publicly in 2018.

Funding initiatives such as advocacy campaigns facilitate the development of knowledge and infrastructure that is notoriously hard to fund through annual donations. They call for patient capital and an awareness with results that are not immediate, as advocacy work usually involves building multiple partnerships and coalitions to drive long-term systemic change.

Research and evaluation

The Benevolent Society believes that the measurement of social outcomes is a key component of good social investment, and it is passionate about this aspect of its business. The Research and Evaluation teams continually explore better ways to measure social impact. The teams are now tracking all Child and Family outcomes through the Resilience Practice Framework that The Benevolent Society has developed. Our ageing portfolio has successfully piloted 3 new outcomes tools that will be incorporated into our standard assessment process.

Social investments

The Benevolent Society is the manager of one of NSW's first two Social Benefit Bond schemes, and as such has developed a market-leading position of innovation in this space. The Social Benefit Bond is the result of a unique collaboration between The Benevolent Society, the NSW Government and two major financial institutions, Commonwealth Bank of Australia and Westpac. It funds Resilient Families, an intensive family support service designed to keep children with their families where it is safe to do so and reduce entries to out-of-home care.

Future plans

We propose to use disbursements from the Endowment strategically to invest in development, growth and innovation. We will focus on funding new initiatives that have the capacity to introduce lasting social change.

Our Endowment investment strategy is designed to attract contributions from like minded individuals and philanthropic funders who take a long term view to improving Australia and ensuring all Australians can live their best life.

The Endowment assets and income are included in the Balance sheet and Statement of income and comprehensive income (see Note 21 for more details).

Statement of income and comprehensive income
For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue			
Revenue from operating activities	2	106,003	111,208
Other income	2	2,451	467
Total revenue		**108,454**	**111,675**
Expenses			
Community program expenses		(94,663)	(96,653)
Fundraising and communications expenses		(624)	(1,118)
Social initiatives expenses		(2,343)	(2,662)
Infrastructure and investment expenses		(11,910)	(6,186)
Total expenses from continuing operations	3(a)	(109,540)	(106,619)
Surplus / (deficit) before income tax		**(1,086)**	**5,056**
Income tax expense	22(c)	–	–
Surplus / (deficit) from continuing operations		(1,086)	5,056
Surplus / (deficit) for the year		**(1,086)**	**5,056**
Other comprehensive income			
Items that may be reclassified to Statement of income			
Changes in the fair value of available-for-sale financial assets	12(a)	5,516	(11,000)
Realised loss (gain) at the disposal of available-for-sale financial assets		538	(1,509)
Income tax relating to components of other comprehensive income		–	–
Other comprehensive income for the year, net of tax		**6,054**	**(12,509)**
Total comprehensive income for the year		**4,968**	**(7,453)**

The above Statement of income and comprehensive income should be read in conjunction with the accompanying Notes.

Balance sheet
As at 30 June 2017

	Notes	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	4	20,443	15,891
Trade and other receivables	5	10,250	10,584
Total current assets		30,693	26,475
Non-current assets			
Receivables	6	3,366	6,731
Available-for-sale financial assets	7	102,926	103,065
Held-to-maturity investments	8	1,100	1,100
Property, plant and equipment	9	38,599	21,417
Total non-current assets		145,991	132,313
Total assets		**176,684**	**158,788**
Liabilities			
Current liabilities			
Trade and other payables	10	31,255	18,505
Retirement Village Contributions		245	330
Total current liabilities		31,500	18,835
Non-current liabilities			
Provisions	11	1,579	1,316
Total non-current liabilities		1,579	1,316
Total liabilities		**33,079**	**20,151**
Net assets		**143,605**	**138,637**
The Benevolent Society Funds			
Available-for-sale financial assets reserve	12(a)	3,767	(2,287)
Restricted grants reserve	12(b)	215	215
Retained surplus	12(c)	139,623	140,709
Total funds		**143,605**	**138,637**

The above Balance sheet should be read in conjunction with the accompanying Notes.

Statement of changes in The Benevolent Society funds

For the year ended 30 June 2017

	Notes	Restricted grants reserve $'000	Assets available for sale reserve $'000	Retained surplus $'000	Total $'000
Balance as at 1 July 2015		**215**	**10,222**	**135,653**	**146,090**
Surplus for the year	12 (c)	–	–	5,056	5,056
Other comprehensive income (loss) for the year		–	(12,509)	–	(12,509)
Balance as at 30 June 2016		**215**	**(2,287)**	**140,709**	**138,637**
Surplus / (deficit) for the year	12 (c)	–	–	(1,086)	(1,086)
Other comprehensive income for the year		–	6,054	–	6,054
Balance as at 30 June 2017		**215**	**3,767**	**139,623**	**143,605**

The above Statement of changes in The Benevolent Society Funds should be read in conjunction with the accompanying Notes.

Statement of cash flows

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from government funding and clients (inclusive of goods and services tax)		107,426	108,697
Payments to suppliers and employees (inclusive of goods and services tax)		(107,444)	(112,808)
Net cash (outflow) from operating activities		**(18)**	**(4,111)**
Cash flows from investing activities			
Payments for property, plant and equipment		(10,712)	(1,727)
Payments for purchase of investments		(7,628)	(20,515)
Net decrease in term deposits greater than three months		(82)	2,578
Managed fund distributions, franking credits and interest received		4,277	6,691
Proceeds from sale of investments		13,608	17,170
Proceeds from sale of property, plant and equipment		1,814	31
Proceeds from repayment of loans		3,366	–
Net cash inflow from investing activities		**4,643**	**4,228**
Cash flows from financing activities			
Repayment of bonds and deposits		(73)	(81)
Net cash (outflow) from financing activities		**(73)**	**(81)**
Net increase in cash and cash equivalents		4,552	36
Cash and cash equivalents at the beginning of the financial year		15,891	15,855
Cash and cash equivalents at end of year	**4**	**20,443**	**15,891**

The above Statement of cash flows should be read in conjunction with the accompanying Notes.

Notes to the financial statements
30 June 2017

1. Significant changes in the current reporting period

For a detailed discussion about The Benevolent Society's performance and financial position please refer to our Review of operations and results in our Directors' Report on page 2.

2. Revenue

	2017 $'000	2016 $'000
(a) From operations		
Government funding	87,863	87,641
Client fees and charges	5,352	6,748
Bequests and legacies	1,908	248
Social Benefit Bond Funding	2,000	2,000
Corporate funding	394	505
Trusts and foundations (refer to note 20(a))	715	378
Fundraising appeals and events (refer to note 20(a))	856	633
Revenue from operations	**99,088**	**98,153**
(b) From investments		
Interest	1,587	1,781
Investment distributions	5,525	10,230
Realised gain / (loss) on sale of investments	(197)	1,044
Revenue from investments	**6,915**	**13,055**
Total revenue from continuing operations	**106,003**	**111,208**
(c) Other income		
Rent	492	358
Retirement village retentions	–	2
Reimbursements	143	142
Sale of goods	3	9
Net profit (loss) on sale of property, plant & equipment	1,813	(44)
Total other income	**2,451**	**467**

3. Expenses

	2017 $'000	2016 $'000
(a) Expenses from operations		
Salaries and wages	72,285	70,471
Administration expenses	4,805	6,063
Information technology	2,849	2,327
Marketing, fundraising and communications	966	633
Travel and transport	2,571	2,357
Client and brokerage expenditure	11,122	11,403
Community partners	4,166	4,438
Property and equipment maintenance	7,912	6,387
Impairment of IT Development & Software	–	290
Depreciation and amortisation	2,864	2,250
Total expenses from operations	**109,540**	**106,619**
(b) Surplus before income tax includes the following specific expenses		
Depreciation		
Buildings	220	220
IT Software	323	323
Plant and equipment	2,321	1,707
Total depreciation	**2,864**	**2,250**
Rental expenses relating to operating leases		
Lease payments	5,204	3,281
Net transfers to provisions		
Employee entitlements	1,389	1,217
Receivables written off during the year as uncollectable	36	40

4. Current assets: cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	18,121	3,068
Short term deposits – Endowment	2,322	12,823
	20,443	**15,891**

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of cash flows.

The Benevolent Society holds working capital cash reserves of $18,121,000 (2016: $3,068,000). This includes retirement village contributions held of $245,000 (2016: $330,000).

a) Cash at bank and on hand

These are interest bearing cheque accounts with an average interest rate of 0.17% (2016: 0.17%) and at call accounts with rates between 1.45% and 1.70% (2016: 1.70% and 1.95%).

b) Short term deposits

Deposits are with the Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and National Australia Bank Limited. Deposit rates are between 2.10% and 2.68% (2016: 1.70% and 3.08%). These deposits have a maturity of 31 to 90 days.

c) Interest rate risk exposure

The Benevolent Society's exposure to interest rate risk is discussed in Note 14.

d) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of cash flows as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents balance as above	20,443	15,891
Balances as per Cash flow Statement	20,443	15,891

5. Current assets: trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	4,179	2,210
Term deposits - Endowment	4,567	4,485
Provision for impairment of receivables	(34)	(13)
Investment Income receivable	397	2,670
	9,109	9,352
Prepayments	1,141	1,232
	10,250	**10,584**

Movements in the provision for impairment of receivables are as follows:

	2017 $'000	2016 $'000
At 1 July 2016	13	13
Provision for write-off recognised during the year	21	54
Receivables written off during the year as uncollectible	(36)	(40)
Other	36	(14)
At 30 June 2017	**34**	**13**

The creation and release of the provision for impaired receivables has been included in 'community program expenditure' in the Statement of income and comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

6. Non-current assets: receivables

	2017 $'000	2016 $'000
Receivables	3,366	6,731
Term deposits – Endowment	–	–
	3,366	**6,731**

The receivables outstanding at the end of the current year are deeply subordinated notes in Goodstart Early Learning of $2,500,000 and capitalised interest earned to date on these notes of $866,000.

During the year, subordinated notes with Goodstart Early Learning of $2,500,000 were repaid, together with previously capitalised interest on those notes totalling $865,000.

a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

b) Risk exposure

Information about The Benevolent Society's exposure to credit risk and interest rate risk is provided in Note 14.

7. Non-current assets: other financial assets

	2017 $'000	2016 $'000
Other financial assets available-for-sale		
Investments at the end of the year were recognised at fair value:		
BlackRock Investment Management (Australia) Limited	24,564	32,373
Antares Fixed Income	26,597	26,788
MLC Investments Limited	19,740	15,760
Russell Investment Management Limited	32,005	28,124
Unlisted Shares carried at cost	20	20
	102,926	**103,065**

a) Managed funds

The managed funds hold assets in line with The Benevolent Society's approved Strategic Asset Allocation. A disbursement of $4,060,000 (2016: $4,100,000) was approved during the year to fund The Benevolent Society's social initiatives. A detailed description of how the disbursement was spent is shown in the Endowment Report on page 7.

b) Investments in related parties

Refer to Note 18 for information on available-for-sale financial assets held in related parties.

c) Unlisted Shares

Unlisted shares are held in Community 21 (4000 shares at $5.00 each). These are carried at cost and are classified as other non-current assets as they are held for long-term investment purposes.

d) Non-current assets pledged as security

The Benevolent Society does not hold any non-current assets pledged as security.

e) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the fair value of the managed funds classified as available-for-sale.

Managed funds had unrealised gains of $5,516,000 (2016: unrealised losses of $11,000,000). These were taken to reserves in equity, refer to Note 12(a). Realised losses of $538,000 (2016: realised gains of $1,509,000) due to the sale of investments have been transferred from reserves to the Statement of income.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to Note 14.

8. Non-current assets: held-to-maturity investments

	2017 $'000	2016 $'000
Newpin Social Benefit Bond	100	100
The Benevolent Society Social Benefit Bond	1,000	1,000
	1,100	**1,100**

a) Social Benefit Bonds

The carrying amount of the investment in the Newpin Social Benefit Bond is $100,000 (2016: $100,000) and The Benevolent Society Social Benefit Bond is $1,000,000 (2016: $1,000,000). Refer to Note 14(b).

b) Impairment and risk exposure

The maximum exposure to credit risk for the Newpin Social Benefit Bond at the end of the reporting period is 25% of the carrying amount of the investment.

The Benevolent Society Social Benefit Bond consists of:

$500,000 *Class P Bonds*: Senior, performance-based secured bonds; and

$500,000 *Class E Bonds:* Subordinated, principal 'at risk', performance-based secured bonds.

Refer to Note 14(b).

The Social Benefit Bonds are denominated in Australian currency. As a result, there is no exposure to foreign currency risk.

The principal on the Class P Bond is guaranteed. These Bonds may earn interest of up to 10%, however the level of interest earned will be reliant on the achievement of the applicable performance outcomes.

The principal on the $500,000 *Class E Bonds* is at risk, again depending on the achievement by The Benevolent Society on certain performance measures.

For Class E Bonds, the interest receivable may vary from 0% to 30%, as determined at redemption date in 2018. The "Performance Level" applicable to payments on each class of Bonds will be subject to calculation by the Independent Certifier (an independent third-party), with the determination period commencing either (i) where the Implementation Deed proceeds to term, 4 years and 9 months after the Referral Date (start date, 3 October 2013) or (ii) on the date that the Implementation Deed is terminated due to an Early Termination Event.

9. Non-current assets: property, plant and equipment

	Work In Progress						
	Assets in the course of construction $'000	IT development and software $'000	Land $'000	Buildings $'000	IT software $'000	Plant and equipment $'000	Total $'000
Gross carrying amount							
Balance as at 1 July 2016	8	760	9,388	8,778	2,014	11,462	32,410
Additions	16,395	3,287	–	–	101	385	20,168
Reclassification	(33)	(3,535)	–	–	1,608	1,960	–
Disposals	(5)	(13)	–	–	(60)	(406)	(484)
Balance as at 30 June 2017	16,365	499	9,388	8,778	3,663	13,401	52,094
Accumulated depreciation							
Balance as at 1 July 2016	–	–	–	(3,138)	(1,484)	(6,371)	(10,993)
Disposals	–	–	–	–	60	302	362
Depreciation expense	–	–	–	(220)	(323)	(2,321)	(2,864)
Balance as at 30 June 2017	–	–	–	(3,358)	(1,747)	(8,390)	(13,495)
Net book value 2017	**16,365**	**499**	**9,388**	**5,420**	**1,916**	**5,011**	**38,599**
Net book value 2016	**8**	**760**	**9,388**	**5,640**	**530**	**5,091**	**21,417**

a) Leased assets
The Benevolent Society did not have any finance leases (2016: nil).

b) Valuations of land and buildings
Land and buildings were deemed at cost as at transition to Australian equivalents to International Financial Reporting Standards ("AIFRS") date (1 July 2004). Valuations performed between March and May 2016 by Dobrow Valuations showed recoverable values as greater than carrying values thus an impairment loss did not occur (refer Note 22(e)).

Land and Buildings were valued at $27,670,000 between March and May 2016 with a carrying value of $14,809,000 (2016: $15,028,000).

c) Impairment of Information Technology
During the 2017 financial year there was no impairment in relation to Information Technology assets. The impairment expense was nil (2016: $290,000).

d) Restricted assets
The Benevolent Society does not have any material restrictions on title, property, plant and equipment. Minor restrictions relating to approved plant and equipment purchases through government funded contracts may include asset maintenance, security, risk responsibility, any insurance and registration requirements, disposal approval requirements and using the asset for the purpose for which it was funded.

10. Current liabilities: trade and other payables

	2017 $'000	2016 $'000
Trade payables	18,044	5,167
Other payables	1,909	2,725
Unexpended grants: Government funding received in advance	5,018	5,710
Employee benefits - annual leave	4,421	4,256
Employee benefits - long service leave	1,863	647
	31,255	**18,505**

a) Risk exposure

Information about The Benevolent Society's exposure to foreign exchange risk is provided in Note 14.

11. Non-current liabilities: provisions

	2017 $'000	2016 $'000
Employee benefits – long service leave	790	1,316
Property Make Good Provisions	789	–
	1,579	1,316

12. Reserves and retained surplus

	2017 $'000	2016 $'000
(a) Available-for-sale financial assets reserve		
Balance 1 July 2016	(2,287)	10,222
Transfer to Statement of income and Comprehensive income on disposal of investments	538	(1,509)
Revaluation/(devaluation) (refer Note 8)	5,516	(11,000)
Balance 30 June 2017	3,767	(2,287)

The revaluation was $5,516,000 leading to an overall positive return on investment. Further details of the performance of the Endowment investments are provided in the Endowment Report on page 7.

(b) Restricted grants reserve

Balance 1 July 2016	215	215
Balance 30 June 2017	215	215

12. Reserves and retained surplus (continued)

	2017 $'000	2016 $'000
(c) Retained surplus		
Balance 1 July 2016	140,709	135,653
Net (deficit)/surplus for the year	(1,086)	5,056
Balance 30 June 2017	139,623	140,709

(d) Nature and purpose of reserves

Available-for-sale financial assets revaluation reserve

Changes in the fair value of managed fund investments classified as available-for-sale financial assets, are taken to this reserve, as described in Note 22(h).

Restricted grants reserve

Restricted grants received in advance from government, major donors, trusts and foundations are recognised when The Benevolent Society has control of the contribution. The reserve represents grants received during previous financial years over which The Benevolent Society was deemed to have control. The related expenditure the grants are intended to compensate will not occur until a future period and The Benevolent Society is restricted in its use of these funds by the terms and conditions of the grant.

13. Critical accounting estimates and judgements

The Benevolent Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant judgement has been made in relation to the consolidation decision of The Benevolent Society Social Benefit Bonds Trust No. 1. The Benevolent Society has concluded that it does not control The Benevolent Society Social Benefit Bonds Trust No. 1 as The Benevolent Society's exposure to the variable returns through the Trust is insufficient.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact and that are believed to be reasonable under the circumstances.

14. Financial risk management

The Benevolent Society's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Benevolent Society's overall financial risk management program focuses on financial markets and seeks to control potential adverse effects on our long-term financial performance. The Benevolent Society uses different investments to minimise certain risk exposures. Managed funds and bonds are used for medium and long-term investment purposes where a greater risk tolerance is accepted.

The Benevolent Society holds the following financial instruments:

	Notes	2017 $'000	2016 $'000
Financial assets			
Cash and cash equivalents	4	20,443	15,891
Trade and other receivables	5	10,250	10,584
Non-current receivables	6	3,366	6,731
Available-for-sale financial assets	7	102,926	103,065
Held-to-maturity investments	8	1,100	1,100
		138,085	**137,371**
Financial liabilities			
Trade payables	10	18,044	5,167
Other payables	10	1,909	2,725
Retirement village contributions		245	330
Government funding received in advance	10	5,018	5,710
		25,216	**13,932**

(a) Market risk

(i) Foreign exchange risk

The Benevolent Society operates within Australia and therefore is not exposed to direct foreign exchange risk. The Benevolent Society is indirectly exposed to foreign exchange risk due to global equities included in funds under management.

(ii) Price risk

The Benevolent Society does not directly invest in equities and therefore is not exposed to direct price risk. The Benevolent Society is exposed to equity securities price risk as it invests indirectly in the equity market through its investment fund managers. The Benevolent Society is not exposed directly to commodity price risk but does have an indirect exposure via its investment in the equity market. Held-to-maturity investments are not exposed to price risk as they are carried at amortised cost and will be held to maturity with the exception of $500,000 *Class E Bonds* where the principal of $500,000 is at risk depending on the performance of the Social Benefit Bond.

14. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Benevolent Society's main interest rate risk arises from short-term investments and Goodstart Early Learning Loan notes. The risk is reduced due to the fixed rates associated with the Goodstart Notes.

The Benevolent Society uses a combination of variable and fixed rate investments to manage its interest rate risk.

The Benevolent Society's overall exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

	Average interest rate %	Variable interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total 2017 $'000	Total 2016 $'000
Financial assets								
Cash	1.47	18,121	–	–	–	–	18,121	3,068
Short term deposits	2.45	–	2,322	–	–	–	2,322	12,823
Trade and other receivables	–	–	–	–	–	5,683	5,683	6,099
Other receivables term deposits	2.60	–	4,567	–	–	–	4,567	4,485
Non-current term deposits	–	–	–	–	–	–	–	–
Non-current receivables	15.00	–	–	–	3,366	–	3,366	6,731
Held-to-maturity investments	7.00	–	–	1,100	–	–	1,100	1,100
Available-for-sale financial assets	–	–	–	–	–	102,926	102,926	103,065
	–	18,121	6,889	1,000	3,466	108,609	138,085	137,371
Financial liabilities								
Trade payables	–	–	–	–	–	18,044	18,044	5,167
Other payables	–	–	–	–	–	1,909	1,909	2,725
Government funding received in advance	–	–	–	–	–	5,018	5,018	5,710
Retirement village contributions payable	–	–	–	–	–	245	245	330
	–	–	–	–	–	25,216	25,216	13,932
Net financial assets	**–**	**18,121**	**6,889**	**1,000**	**3,466**	**83,393**	**112,869**	**123,439**

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. The Benevolent Society uses banks and financial institutions with a minimum credit rating of AA. There is no concentration of credit risk with respect to current and non-current receivables, as The Benevolent Society has a large number of clients, dispersed throughout New South Wales and Queensland, Australia. The majority of clients are required to settle using direct debit or major credit cards. The funding provided by government is also spread between Australian Federal and State government funding.

In 2014, The Benevolent Society invested $100,000 in Newpin Social Benefit Bonds. The Newpin Social Benefit Bonds pays a minimum coupon of 5% per annum over the first three years. Principal protection is 75% in the first three years and 50% from four to seven years. As the investment is held-to maturity the maximum exposure to credit risk at the end of the reporting period is 25% of the carrying amount of the investment.

During 2014, The Benevolent Society invested $1,000,000 in The Benevolent Society Social Benefit Bonds which consisted of:

- $500,000 *Class P Bonds*: Senior, performance-based secured bonds with interest receivable in arrears varying from 0% for a fail to 10% return as deemed at redemption date with the principal repayment guaranteed and;
- $500,000 *Class E Bonds*: Subordinated, principal 'at risk', performance-based secured bonds with interest receivable varying from 0% to 30%, with the principal potentially at risk as determined at redemption date in 2018.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Benevolent Society manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Benevolent Society's funding is provided in advance by government and surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents The Benevolent Society's financial assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016:

	Level 1 $,000	**Level 2 $,000**	**Level 3 $,000**	**Total $,000**
2017				
Available-for-sale financial assets				
Investments – managed funds	102,926	–	–	102,926
2016				
Available-for-sale financial assets				
Investments – managed funds	103,065	–	–	103,065

The Benevolent Society uses fair value estimation for medium to long-term investments in managed funds. The Benevolent Society's managed funds are carried at fair value which approximates current market value. The Benevolent Society enters into a range of managed fund portfolios to manage risk in accordance with our Investment Policy approved by the Board of Directors. This policy has been complied with during the financial year.

The carrying values less impairment provision of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair values of financial liabilities for disclosure purposes are estimated to approximate their carrying values due to the holding term.

Held to maturity investments are measured at amortised cost. The Benevolent Society follows AASB139 guidance on classifying non-derivative financial assets with a fixed or determinable payments and fixed maturity as held-to maturity. This classification requires The Benevolent Society to evaluate its intention to hold such investments to maturity.

15. Key management personnel disclosures

a) Directors

The following people were non-executive Directors of The Benevolent Society during the financial year:

Lisa Chung (Chairman) LLB, FAIM, FAICD	since 27 June 2011 (Chairman since 28 November 2013)
Andrew Yates (Chairman, Audit, Finance & Risk Committee) BEc	since 9 November 2015
Kathleen Conlon (Chairman, People & Culture Committee) BA (Econ), MBA	since 14 February 2013
Robert Warren BEc, CA, A Fin, GAICD	since 19 July 2010
Tim Beresford BE (Hons), LLB MPhil (International Relations) ASIA, MAICD	since 14 February 2013
Professor Karen Healy Ph D, BSocWk (Hons), GAICD	since 4 April 2011
Mike Beckerleg	since 22 September 2014
Charles Prouse	since 10 August 2015
Rod Young LLB, BHSM, MAICD, ACHSM	since 1 November 2016

Elaine Leong (Company Secretary & General Counsel) BA, LLB, BA Comms (Hons), Grad Dip Legal Prac, GAICD	since 2 December 2013

b) Directors' compensation

Directors of The Benevolent Society are not remunerated.

c) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of The Benevolent Society, directly or indirectly during the financial year:

Joanne Toohey RN	Chief Executive Officer
Simon Curtis MA (Hons), FCA	Executive Director, Finance and Corporate Services
Annette Chennell MSc, MPH, MA	Executive Director, Ageing and Disability
Matthew Gardiner BSocSc (Couns), M.Clin.Couns	Executive Director, Child and Family
Kirsty Nowlan BA (Hons), LLB (Hons), PhD	Executive Director, Strategic Engagement, Research and Advocacy
Rosie Stilin BA (Psych), MComm (Employment Relations)	Executive Director, People Learning & Culture
Anna Robinson BA (Politics), MPPM	Executive Director, Business Development (from January 2017)

d) Other key management personnel compensation

	2017 $'000	2016 $'000
Short term employee benefits (total compensation)	1,869	2,957

e) Loans to key management personnel

The Benevolent Society does not hold any loans with key management personnel.

f) Other transactions with key personnel

The Benevolent Society does not have any other transactions with key management personnel.

16. Contingencies

The Benevolent Society had $1,927,000 contingent liabilities at 30 June 2017 (2016:$65,000) in relation to security for property lease agreements.

The Benevolent Society had no contingent assets at 30 June 2017 (2016: nil). In the normal course of business, The Benevolent Society is engaged in litigation from time to time. There are no current litigation matters that have a significant risk of material loss to the entity.

17. Commitments

a) Capital commitments

The Benevolent Society had capital commitments payable within one year as at 30 June 2017 of $7,999,000 in relation to property fitouts (2016: $nil).

b) Operating lease commitments

	2017 $'000	**2016 $'000**
Commitments in relation to rental of premises contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	7,285	3,193
Later than 1 year but not later than 5 years	22,880	8,757
Later than 5 years	18,055	2,169
	48,220	14,119

c) Repairs and maintenance: property

The Benevolent Society had no contractual obligation for future repairs and maintenance in existence at the reporting date other than those recognised as liabilities.

18. Related party transactions

a) Social Ventures Australia

The Benevolent Society is one of the four founding members of Social Ventures Australia Limited. Social Ventures Australia Limited is a company limited by guarantee, incorporated and operating in Australia.

During 2013 The Benevolent Society invested $100,000 in Newpin Social Benefit Bonds. Newpin SBB Pty Ltd is the Trustee and Social Ventures Australia is the manager of the Newpin SBB Trust.

In 2017 The Benevolent Society received a coupon payment of $19,500 (2016: $10,700).

b) Goodstart Early Learning

The Benevolent Society is one of four founding members of Goodstart Early Learning. Goodstart is a company limited by guarantee, incorporated and operating in Australia.

In 2017 The Benevolent Society received interest income of $1,010,000 (2016: $1,012,000) and held receivables of $3,366,000 (2016: $6,731,000) principal and interest in relation to subordinated and deeply subordinated notes.

18. Related party transactions (continued)

c) The Benevolent Society Social Benefit Trust No.1

The Benevolent Society has been appointed as the Manager of The Benevolent Society Social Benefit Trust No.1 (the Trust) and is the sole Initial Charitable Member. The Trust was established in June 2013 to raise funds for, and otherwise assist and support, children and families in New South Wales who are disadvantaged, in need or vulnerable, through the trial of a pilot Social Benefit Bond. The Benevolent Society is engaged as a subcontractor of the Trust to provide these services.

During 2014, The Benevolent Society agreed to invest $1,000,000 in Social Benefit Bonds issued by Perpetual Corporate Trust Limited as trustee for The Benevolent Society Social Benefit Trust No.1.

The purpose of the issue of bonds is to finance a $10,000,000 intensive family support service. The service, Resilient Families, offers support to families whose children are at risk of being placed in out-of-home care. The service is being delivered by The Benevolent Society over a five year period.

During 2017 The Benevolent Society received payments totalling $2,000,000 (2016: $2,000,000) from the Trust for the Resilient Families Service.

d) Transactions with Directors

The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors.

e) Key management personnel

Disclosures relating to key management personnel are set out in Note 15.

19. Events occurring after the reporting period

On 28 July 2017, the NSW state government transferred its state wide disability clinical service operations to The Benevolent Society, following a successful tender by The Benevolent Society. The Benevolent Society is currently in the process of fully integrating these services. The transfer includes 689 employees coming across to The Benevolent Society group, specialising mainly in individual therapy, support coordination and behavioural support. The Benevolent Society group employee numbers will increase by 76% as a result of the disability services transfer.

20. Additional information furnished under the NSW Charitable Fundraising Act 1991 and the Regulations

a) Details of aggregate gross income and expenditure of fundraising appeals

	2017 $'000	2016 $'000
Gross proceeds of fundraising from trusts and foundations	715	378
Gross proceeds of fundraising appeals and events	856	633
Total proceeds of fundraising	1,571	1,011
Total direct costs of fundraising appeals and events (see (d) below)	(322)	(221)
Net surplus from fundraising	**1,249**	**790**

b) Statement showing how funds received were applied to charitable purposes

	2017 $'000	2016 $'000
Net (surplus) from fundraising	(1,249)	(790)
This was applied to charitable purposes in the following manner:		
Community program expenditure	92,221	91,780
Administration expenses (i)	16,997	14,618
Total cost of community programs	109,218	106,398
Total charitable purpose expenditure	**109,218**	**106,398**
Shortfall in funds available from fundraising (ii)	**107,969**	**105,608**

(i) Administration expenses include depreciation, impairment, bequest expenditure, and a portion of indirect overheads.
(ii) Shortfall in funds available from fundraising is funded through government contracts, Endowment income distributions, investment income, corporate funding, client fees and bequests.

c) Shortfall of funds available from fundraising was financed from the following sources

	2017 $'000	2016 $'000
Government grants and subsidies	87,863	87,641
Client fees	5,352	6,748
Bequests and legacies	1,908	248
(Surplus)/deficit for the year	1,086	(5,056)
Interest, dividend and managed fund distribution revenue	6,915	13,055
Social Benefit Bond Funding	2,000	2,000
Corporate funding	394	505
Other Income	2,451	467
Shortfall in funds available from fundraising	**107,969**	**105,608**

d) Fundraising appeals and events conducted during the financial year

In the last financial year the following public fundraising appeals were delivered: Race for Change - a corporate marketing cycling event; Summer and Winter Appeals - direct mail and social media donations appeals. Volunteer fundraising committees also conducted two appeals to raise funds: Friends of Benevolent Cocktail Party and Allira Committee IMATTER appeal.

e) Fundraising ratios

	2017		2016	
	$'000	**%**	**$'000**	**%**
Total cost of fundraising : Gross income from fundraising	322 : 1,571	20	221 : 1,011	22
Net surplus from fundraising : Gross income from fundraising	1,249 : 1,571	80	790 : 1,011	78
Total cost of community programs : Total expenditure	92,221 : 109,540	84	91,780 : 106,619	86
Total cost of community programs : Total revenue from continuing activities	92,221 : 106,003	87	91,780 : 111,208	83

These comparisons and percentages are required to be disclosed under the *NSW Charitable Fundraising Act 1991.*

21. Endowment investments

The Endowment assets and income are included in The Benevolent Society's Balance sheet and Statement of income and comprehensive income as follows:

	Notes	Endowment $'000	Operations $'000	Total $'000
Current assets				
Cash and cash equivalents	4	2,322	18,121	20,443
Trade and other receivables	5	4,964	5,286	10,250
Non-current assets				
Receivables	6	–	3,366	3,366
Other financial assets	7	102,926	–	102,926
Other held to maturity	8	–	1,100	1,100
Property, plant and equipment*	9	1,776	36,823	38,599
Total assets		**111,988**	**64,696**	**176,684**
Investment income	2(b)			
Interest		410	1,177	1,587
Investment distributions		5,525	–	5,525
Realised gain on sale of investments		(538)	–	(538)
Total income		**5,397**	**1,177**	**6,574**

*May 2016 valuation of the Endowment properties were $3,450,000 with carrying values of $1,776,000 (2016: $1,812,000).

22. Summary of significant accounting policies

The principal accounting policies adopted in this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 ("ACNC Act 2012")*. The Benevolent Society is a large not-for-profit entity for the purpose of preparing this financial report.

(i) Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The Benevolent Society's financial report complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The Benevolent Society has continued to disclose the following non-required disclosures to assist with transparency: financial risk management (Note 14), interest rate risk exposure (Note 14(a)), movements in the position for impairment of receivables (Note 5), non-current receivables and receivables past due (Note 6(a)), and non-current receivables risk exposure (Note 6(b)).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following: available-for-sale financial assets, financial assets and liabilities.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Government grants

The Benevolent Society receives grants from the government for the provision of community services. Grants received from the government are recognised at their fair value when The Benevolent Society has reasonable assurance that the grant will be received and The Benevolent Society will comply with all attached conditions.

(ii) Investment and interest income

Interest income is recognised when the right to receive payment is established.

(iii) Client and consulting fees

The Benevolent Society provides client and consultancy services. Revenue from these services is recognised in the period the services are rendered.

(iv) Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when The Benevolent Society has passed control of the goods or other assets to the buyer.

(v) Donations

Donations are recognised when The Benevolent Society has control of the contribution.

c) Income tax

As a public benevolent institution, The Benevolent Society is endorsed for income tax exemption under subdivision 50-B of the *Income Tax Assessment Act 1997.*

d) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to The Benevolent Society as lessee are classified as operating leases (Note 17).

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of income and comprehensive income on a basis which reflects the pattern in which economic benefits from the leased asset are consumed. The Benevolent Society has no finance lease obligations.

Lease income from operating leases where The Benevolent Society is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the Balance sheet based on their nature.

e) Impairment of assets

The Benevolent Society recognises land and buildings using the cost model in accordance with AASB 116 *Property, Plant and Equipment.* Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the asset's fair value less costs to sell, or value in use, whichever is the higher. Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

22. Summary of significant accounting policies (continued)

f) Cash and cash equivalents

For Statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

g) Trade and other receivables

Trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for doubtful debts is used when there is objective evidence that The Benevolent Society will not be able to collect all amounts due, according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered to be indicators that the trade receivable is doubtful. The amount of the impairment allowance and cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of income and comprehensive income within bad debts expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against bad debts in the Statement of income and comprehensive income.

h) Investments and other financial assets

(i) Classification

The Benevolent Society classifies its financial assets in the following categories:

- loans and receivables
- held to maturity investments; and
- avaialable for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as noncurrent assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprise mainly managed funds. The Benevolent Society takes a long-term view with its investment funds by recording only income from the portfolios in revenue from continuing activities in the Statement of income and comprehensive income. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the Balance sheet date.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that Management has the positive intention and ability to hold to maturity. If Management were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in noncurrent assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(v) Recognition and de-recognition

Purchases and sales of financial assets are recognised on trade date (i.e. the date on which The Benevolent Society commits to purchase or sell the asset). Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and The Benevolent Society has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in The Benevolent Society's funds are included in the Statement of income and comprehensive income as gains and losses from investment securities.

(vi) Measurement

At initial recognition, The Benevolent Society measures an available-for-sale financial asset at its fair value, plus, in the case of a financial asset not at fair value through the Statement of income and comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the Statement of income and comprehensive income are expensed in the Statement of income and comprehensive income.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of investments classified as available-for-sale are recognised in Other comprehensive income.

Loans and receivables and held-to-maturity investments are measured at fair value at initial recognition and subsequently carried at amortised cost using the effective interest method.

(vii) Impairment

- **Impairment of assets carried at fair value**
  At each balance date, The Benevolent Society assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of managed funds classified as available-for-sale, a significant or prolonged decline in the fair value of a fund below its cost is considered as an indicator that the funds are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of income and comprehensive income – is reclassified from The Benevolent Society's funds and recognised in the Statement of income and comprehensive income.

  Impairment losses recognised in the Statement of income and comprehensive income on investments classified as available-for-sale are not reversed through the Statement of income and comprehensive income.

- **Impairment of assets carried at amortised cost**
  For held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Benevolent Society may measure impairment on the basis of an instrument's fair value using an observable market price.

(i) Property, plant and equipment

Land and buildings are shown at deemed cost as at transition to AIFRS date. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Costs incurred in developing products or systems, and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years. Information Technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

Assets are generally capitalised if greater than $5,000. If Government funding contracts state a different level for capitalisation, then that level is applied in relation to assets purchased under the specific Government contract.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to The Benevolent Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of income and Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Plant and equipment	3-10 years

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 (Note 22).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of income and comprehensive income.

22. Summary of significant accounting policies (continued)

(j) Intangible assets

IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT software. Costs capitalised include external direct costs of materials and service as well as internal labour cost directly attributable in developing products or services. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where The Benevolent Society has an intention and ability to use the asset.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to The Benevolent Society prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due later than 12 months from the reporting date. They are recognised at cost.

(l) Provisions

Provisions are recognised when The Benevolent Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the cost of the best estimate of the expenditure required to settle the present obligation at the reporting date. The amount of the expenditure relating to provisions are not discounted as the effect of discounting is immaterial.

Retirement village contributions are payable on vacation of a unit by a resident, and are defined as the amounts Village residents loan to The Benevolent Society by deed of loan, less the amount allowed to be retained by The Benevolent Society, as determined by the deed of the loan.

(m) Employee benefits

(i) Wages and salaries, annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the Balance Sheet if The Benevolent Society does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) On-costs
Employee benefit on-costs, including superannuation and workers compensation, are recognised and included in employee benefit expenses when the employee benefits to which they relate are recognised as liabilities.

(iv) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Benevolent Society recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

(o) Rounding of amounts

The Benevolent Society is of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191*, relating to the 'rounding off' of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with *ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191* to the nearest thousand dollars, or in certain cases, the nearest dollar.

(p) New and amended standards adopted

The Benevolent Society has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012 – 2014 cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101.
- AASB Agenda Decision on the definition of residual value in relation to infrastructure assets. The AASB has clarified that cost savings from the re-use of part of an infrastructure asset should not be included in 'recoverable amount'.

As these amendments merely clarify the existing requirements, they do not affect The Benevolent Society's accounting policies or any of the disclosures.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by The Benevolent Society. The benevolent Society's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments : AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While The Benevolent Society has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AfS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, The Benevolent Society does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on The Benevolent Society's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 15 Revenue from Contracts with Customers:
The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, The Benevolent Society is not able to estimate the effect of the new rules on the entity's financial statements. The Benevolent Society will make more detailed assessments of the effect over the next twelve months.

Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. At this stage, The Benevolent Society does not intend to adopt the standard before its effective date.

AASB 16 Leases: AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

22. Summary of significant accounting policies (continued)

(p) New and amended standards adopted (continued)

New standards and interpretations not yet adopted (continued)

The accounting for lessors will not significantly change.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard will affect primarily the accounting for The Benevolent Society's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $48,220,000, see note 17 (b). However, The Benevolent Society has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect The Benevolent Society's profit and classification of cash flows.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, The Benevolent Society does not intend to adopt the standard before its effective date.

AASB 1058 Income of Not-for-Profit Entities: The AASB has issued a new standard for income recognition by public and private sector not-for-profit (NFP) entities. This will replace AASB 1004 Contributions and introduce major changes to the income recognition by public and private sector NFPs.

Under the new standard, The Benevolent Society will need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15 Revenue from Contracts with Customers).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. At this stage, The Benevolent Society does not intend to adopt the standard before its effective date.

Directors' declaration
30 June 2017

In the Directors' opinion:

a) the financial statements and Notes set out on pages 1-38 are in accordance with the *ACNC Act 2012*, including:

i) complying with Accounting Standards – Reduced Disclosure Requirements, *ACNC Act 2012,* to the extent relevant *Corporations Act 2001* and other mandatory professional reporting requirements; and

ii) giving a true and fair view of The Benevolent Society's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

b) there are reasonable grounds to believe that The Benevolent Society 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 Directors.

Andrew Yates
Chairman of the Audit, Finance and Risk Committee
25 September 2017

Declaration by the Chairman
30 June 2017

Declaration by Chairman in respect of fundraising appeals

I, Lisa Chung, Chairman of The Benevolent Society, declare that in my opinion:

(a) the Statement of income and comprehensive income gives a true and fair view of all income and expenditure of The Benevolent Society with respect to fundraising appeals; and

(b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeals; and

(c) the provisions of the NSW Charitable Fundraising Act 1991, the Regulations under the Acts and the conditions attached to the authority have been complied with; and

(d) the internal controls exercised by The Benevolent Society are appropriate and effective in accounting for all income received and applied by The Benevolent Society from all of its fundraising appeals.

Lisa Chung

Lisa Chung
Chairman
25 September 2017

Auditor's report to members

Independent auditor's report

To the members of The Benevolent Society

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Benevolent Society (the Company) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 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*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of income and comprehensive income for the year then ended
- the statement of changes in The Benevolent Society Funds for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration and the declaration by the chairman

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

Independence

We are independent of the Company 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.

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Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report and Endowment Report included in the annual financial report, 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 identified above 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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.

Auditor's report to members

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

We have audited the financial report as required by Section 24(2) of the NSW Charitable Fundraising Act 1991. The directors of the company are responsible for the preparation and presentation of the financial report in accordance with the Charitable Fundraising Act 1991 (NSW) and the NSW Charitable Fundraising Regulations 2015. Our responsibility is to express an opinion on the financial report based on our audit.

Auditor's Opinion

In our opinion, in all material respects:

a. The financial report of The Benevolent Society is prepared and associated records have been properly kept, during the financial year ended 30 June 2017, in accordance with:

   i. sections 20(1), 22(1-2) and 24(1-3) of the NSW Charitable Fundraising Act 1991; and

   ii. sections 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015; and

b. money received as a result of fundraising appeals activities conducted by the company during the year ended 30 June 2017 has been properly accounted for and applied in accordance with the above mentioned Act and Regulations.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
25 September 2017

benevolent SOCIETY