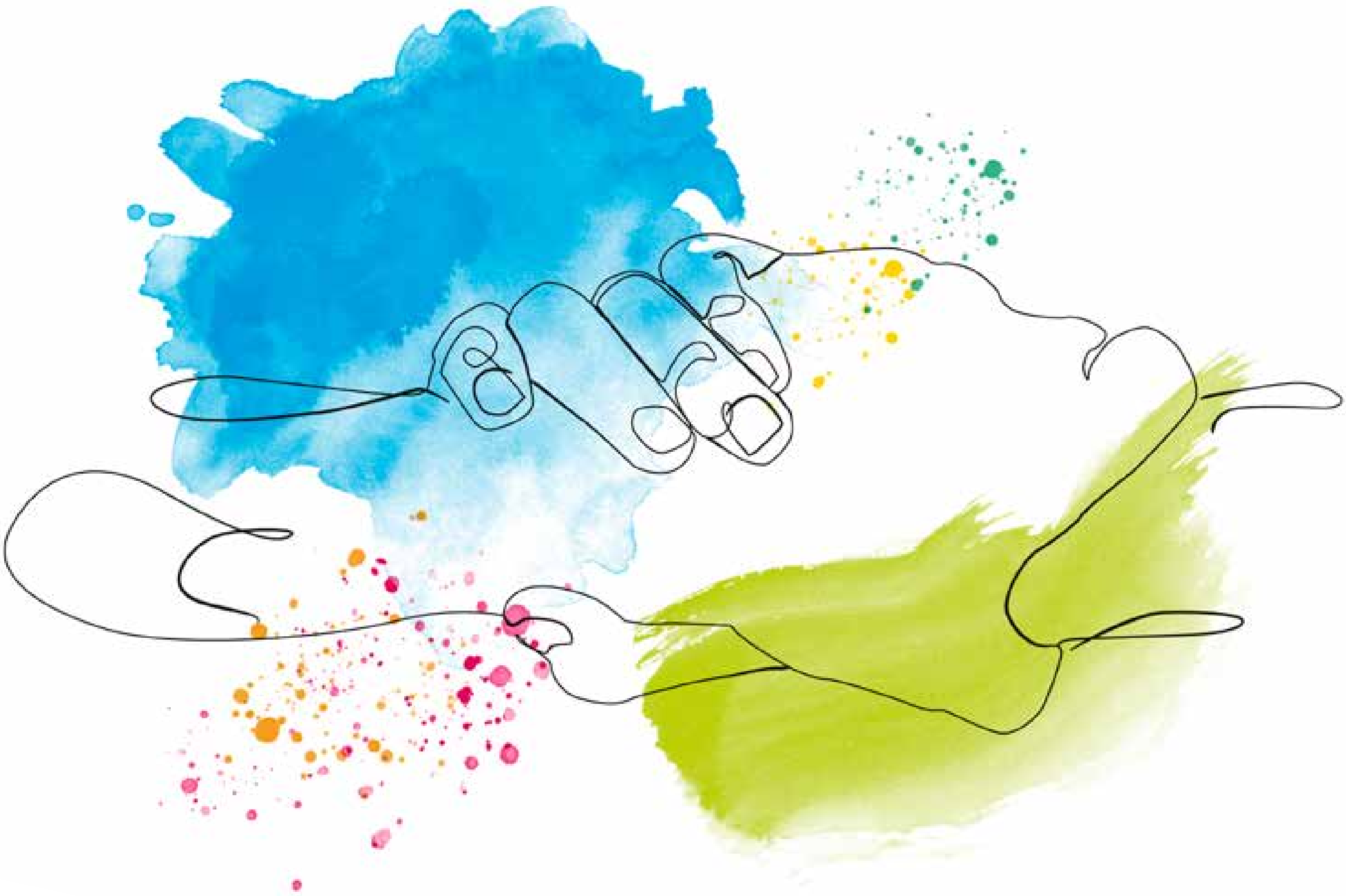
Annual Report 2019



benevolent SOCIETY

Our legacy

The Benevolent Society has been a force of positive social change in Australia for more than 200 years. We have grown with contemporary Australia. From our origins as an organisation formed to 'relieve the poor, the distressed, the aged, and the infirm' we have continued to work for, and with, people from all walks of life to support them when times get tough.

We have witnessed and been a part of major social transformations – the creation of the welfare system, the introduction of laws to prohibit child labour and the beginnings of legal aid. Not all of our actions have been ahead of their time. While we started the Royal Hospital for Women, we were also part of the system of forced adoptions where unmarried women were coerced to give their children away. In 2009 we apologised for the harm and grief we caused.

The golden thread that links our work across time is that our staff and volunteers are wholeheartedly committed to meeting people in their moment of need and working with them to make lives better. We celebrate with our clients in their successes and we share their disappointments when things don't go to plan. We take what we have learned from the people we work with to advocate for changes in policies and social norms.

> Every day we seek to build a more just society where people can live their best lives.

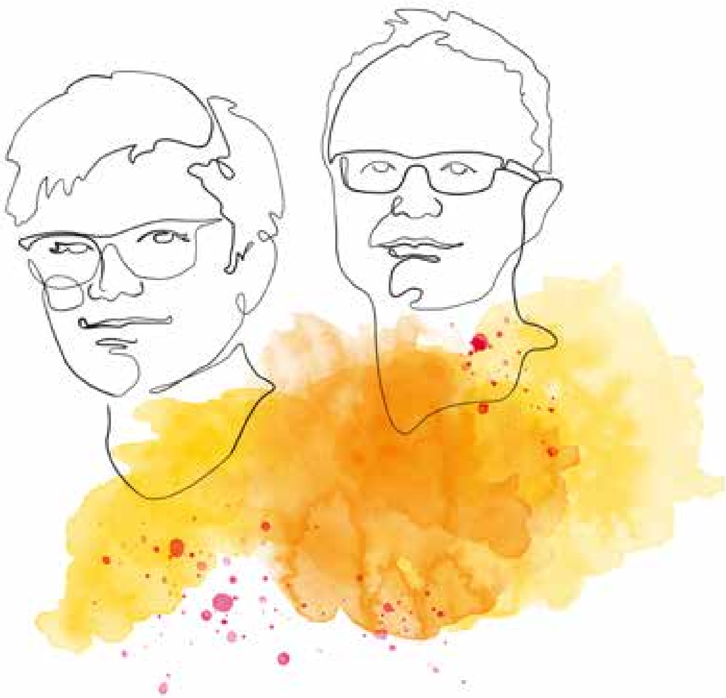
Chair and CEO message

It is common for The Benevolent Society to headline its publications with our distinctive point of difference – we are Australia's oldest charity; we have been working for and with people to meet their needs since 1813.

What that means for us in 2019 is that we are custodians of an organisation with a rich and varied history that enables us to understand current challenges in the context of past experience. We play the long game. We make decisions that respond to current complexity with a view to working at an individual, community and system level to realise our vision of a just society where all Australians can live their best lives.

This year we have faced one of our most complex organisational challenges. Two years ago we made the decision to take over specialist disability services from the NSW Government. We did this because we saw in the National Disability Insurance Scheme (NDIS) reforms a once in a generation opportunity to transform how the service system supports people with disability to enable them to exercise choice and control. We are seeing first-hand both the benefits and the limitations in the new model and we are collaborating with participants, peer organisations and governments to find solutions that work. The transfer of services from the government sector has, however, come at a significant cost to our organisation. You will see in the financial report that we have invested heavily to support the transfer, given that the National Disability Insurance Scheme (NDIS) revenues were not sufficient to cover our disability cost base. In the second half of 2019, we implemented a major change in our operating model to bring our costs in line with community demand. Initial results are positive and we are confident that, having ensured the model is right, we can build towards a future where we provide both quality specialist services and continue to find ways to improve outcomes for people with disability.

In this year's Annual Report you will find a series of reflections on the way in which our work across this year echoes and revitalises the legacy of our organisation. Among other things, you will read about our work as partners to the National Disability Insurance Agency where we are delivering Early Childhood Early Intervention (ECEI) services in South East Queensland. This program seeks to provide targeted support to children under seven with a disability or developmental delay. The thinking is, if we provide the right support early, we can ensure children achieve their potential. As an organisation with deep expertise in working with families, we understand that by working with parents and carers to build



their capability and confidence, children achieve better outcomes. Too often in the service sector we think in specialist silos – supporting families or people with disability or older Australians. As an organisation that works with all of these groups we are deliberately seeking to use the full range of our knowledge to provide better outcomes for our clients.

In the Torres Strait we are extraordinarily privileged to be working in partnership with Mura Kosker, a Community Controlled Organisation, and the Queensland Government to deliver the Mura Buai Wellbeing Service, which aims to meet the needs of children and families in the Torres Strait. Our deep commitment to reconciliation is finding practical expression through this program. We are seeking to identify how mainstream organisations can support the Community Controlled sector. There is two way benefit here. We have specialist knowledge of family support and Mura Kosker has a deep knowledge of their community, its needs and cultural ways of knowing. Together we will deliver better outcomes for families, but ultimately our plan is to exit this partnership with Mura Kosker equipped to take ownership of the program in the long term.

Whether it is our work with older people, people with disabilities or children and their families our work is driven by a deep commitment to our clients and to a more just Australia. We have a highly skilled team of staff and volunteers who consistently go above and beyond to ensure that people get the right support at the right time. As we look forward to 2020 and beyond we continue to be inspired by the work they do, the way they continually renew the legacy of The Benevolent Society and the ongoing search for the innovative approaches that will enable people to live their best lives.

Tim Beresford, Chairman

Jo Toohey, CEO

Time line

1813

The Benevolent Society was formed by Edward Smith Hall, Rev. William Cowper.

1821

Benevolent Asylum opened, a refuge for homeless older men, deserted women and children and the mentally ill.

1866

The first maternity hospital opened as part of the Asylum. By 1876 the hospital recorded the lowest infant mortality rate of any hospital in Australia.

1873

The NSW government appoint a royal commission to investigate public charities – The Benevolent Society was commended for its work.

1879

Free legal aid to poor women in order to pursue cases of maintenance against the fathers of the children.

1888

The maternity hospital becomes a teaching hospital for medical students of University of Sydney.

1892

Campaigning to outlaw child labour and baby farming, society President Sir Arthur Renwick initiating the introduction of the NSW Child Protection Act.

1896

Advocacy work for Old Age Pension led by Sir Arthur Renwick led to the introduction by the NSW government in 1901 – the first in the world.

1905

The maternity hospital Royal Hospital for Women established in Paddington NSW, pioneering medical care for women and babies.

1933

Royal Hospital for Women registered under NSW Public Hospitals Act and opened to private and intermediate patients.

1950

100,000th baby born at the Royal Hospital for Women.

1964

The Benevolent Society opens their first village for the aged: William Charlton Village at Allambie Heights.

1977

Parenting services for single mothers introduced.

1991

Post Adoption Resource Centre (PARC) opens, the first of its kind in NSW.

2013

The Benevolent Society launches a $10 million five year social benefit bond to fund Resilient Families, an intensive family preservation service.

2017

Disability Services acquired and transitioned from Family and Community Services.

2018

The Benevolent Society launches advocacy campaign EveryAGE Counts – to campaign against ageism in Society.

2019

Every Child campaign launched to promote the wellbeing of Australian children.

Year in review

This year has been one of great challenge and success, with constantly changing environments and new business models, our organisation continues to renew by aligning people, purpose and strategy.

We have restructured our operating model to better serve people with disability and deliver specialist services across NSW and South Australia. We have merged smaller offices into larger regional hubs and our teams are fully equipped with tools to be truly mobile and meet community demand. This is a leaner model, however, built to sustain and flex when required.

We continue to build our reach and service offerings with Early Childhood, Early Intervention (ECEI) services in South East Queensland. As the appointed ECEI partner by the National Disability Insurance Agency (NDIA), we maintained our high standard of work in assisting and guiding families to further support services to help their children have the best start in life.

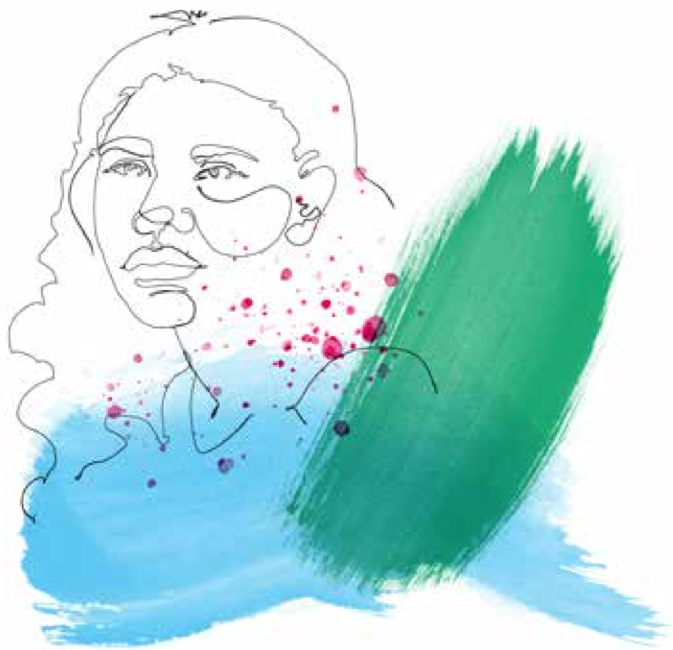
In April 2019, we launched our Reconciliation Action Plan (RAP), our second – which builds on our commitment to reconciliation as a key part of social change. Our Innovate RAP is our journey of healing and is essential for us, so we can work together, build relationships, respect and seek opportunities.

Following on from the maturity of Australia's first Social Benefit Bond, further development of the Resilient Families services moved into a two-year payment by results model, funded by the Department of Communities and Justice. This evidence-based, intensive family preservation service is the first program of its kind in Australia to use this funding model.

Staff

Total Staff – 1,384

Volunteers – 352



One of the most significant projects to come to fruition this year, was the development of the Mura Buai Family Wellbeing Service in the Torres Strait. By developing a significant partnership with the Mura Kosker Sorority Inc. through the Queensland Government's Our Way policy reform, The Benevolent Society continues to deliver specialist support and benefits from the deep local knowledge of the Mura Buai team.

Our Ageing service delivery team won the tender in partnership with Your Side, to deliver the Commonwealth Government's Integrated Carer Support Service (ICSS) Regional Delivery Partner program in Metropolitan Sydney and, in the Illawarra, with lead agency LiveBetter Services.

The ICSS represents a major transformation in the delivery of services to carers of older people, people with a disability and people with mental health issues. Our EveryAGE Counts campaign is growing in numbers and momentum, challenging social norms and raising further awareness of ageisme and it's impacts by launching a national speaking tour with world-renowned ageism speaker, Ashton Applewhite.

The Every Child campaign launched in August 2019 with over 50 organisations campaigning for the advocacy and promotion of the wellbeing of children and young people across Australia.

Client numbers

Ageing	9%	– 3,985
Child & Family	83%	– 36,147
Disability	8%	– 3,359

Unique programs

Ageing	– 16
Child & Family	– 47
Disability	– 18

Value

The Benevolent Society is an Early Childhood Early Intervention (ECEI) partner.

We are working to help families with children who have a developmental delay or disability understand the value and importance of early intervention and early childhood support, and how to access the full potential of the NDIS.

Knowing that your child is missing important opportunities to learn is frustrating and disappointing for families. In some cases, the stress for parents and carers at being unable to access services for their child, leads to a breakdown of their own mental and physical health.

This was the case for Fatma and her five-year-old son Bayram. Bayram was often physically aggressive, had a lack of empathy for others and had failed to make friends at school. Bayam's father had no contact with the family and Fatma's family judged her son to be badly behaved and would not assist with his care.

Fatma was isolated from her family and within her neighbourhood and community and when Bayam received a diagnosis of autism and Attention Deficit Hyperactivity Disorder she found the idea of trying to access the NDIS both intimidating and overwhelming.

Our integrated 'wrap-around' approach, linked Fatma to our ECEI staff who supported her through the process of accessing NDIS funding, and our Family

and Child Connect services built additional mental health and parenting supports to help her cope with the isolation and other stressors she was experiencing.

We also worked with the local school to enrol Bayram for three days a week and coordinated access to a speech pathologist, occupational therapist, psychologist and physiotherapist to work with him for the other two days.

This integrated approach is helping to address Bayram's developmental delays and increase his ability to stay in the mainstream education system into the future.

Our staff's commitment to helping families in tough times is the bedrock of the work we do. While there is still a need for ongoing support for the family, Fatma feels hopeful that she can have a loving relationship with her son and that they can participate fully in their community.

Locations

Brisbane

Caboolture

Beenleigh

ECEI numbers

Number of families supported – 3,844

Number of children's NDIS plans completed – 956

Partnership

In January 2019, the Mura Buai Torres Strait Wellbeing Service began delivering services across the Torres Strait Islands. This is the first time a service of this kind has been delivered in the Torres Strait by a local community controlled organisation.

The establishment of this new service was made possible by the Queensland Government's *Our Way* policy reform and a partnership between the Mura Kosker Sorority Inc. and The Benevolent Society.

Under Our Way, $16 million (2017-21) was committed for 33 new Aboriginal and Torres Strait Islander wellbeing programs to be delivered by community controlled organisations, in a co-design process between the Queensland Government and QATSICPP.

Mura Kosker Sorority Inc. recognised the potential of the wellbeing service model but understood that they would need a mainstream partner to assist the tender process and provide specialist services in the new model. The partnership with The Benevolent Society offered a pathway to securing the tender, and establishing a new community controlled service across the islands of the Torres Strait.

We all know and the evidence shows that the single biggest factor in improving health and social outcomes for Indigenous people is self-determination[1]. That means that governments and non-government organisations must admit that 'business as usual' with them in power and control, is a continuing barrier to self-determination and better outcomes for Aboriginal and Torres Strait Islander kids and families.

The Mura Buai partnership, which is led by Mura Kosker Sorority Inc., provides a model for other mainstream organisations seeking to grow and support the capacity of the Aboriginal and Torres Strait Islander community controlled sector. In 2019, the Mura Buai team has 10 fulltime employees located on Thursday Island, including engagement officer, caseworker, team leaders, intake and referral officer, administration support, manager and includes three Benevolent Society service specialists. Mura Buai delivers services to 19 islands within five clusters throughout the Torres Strait, Mura Kosker is recruiting of 14 part time Support Worker positions and a Youth worker, based on each outer island community.

The Benevolent Society is proud to have helped build this new service and will continue to look for opportunities to learn and improve our services for Aboriginal and Torres Strait Islander people.

1. M Bamblett & P Lewis, 'Detoxifying the child and family welfare system for Australian Indigenous peoples: Self-determination, rights and culture as the critical tools', The First Peoples Child & Family Review, vol. 3, no. 3, 2007, pp. 43–56

Integrity

The Benevolent Society has a long history of advocating for and with older Australians.

At the beginning of the last century we led the campaign for the old age pension. Poverty continues to be a problem for a large number of older people who retire without owning their own home or significant savings.

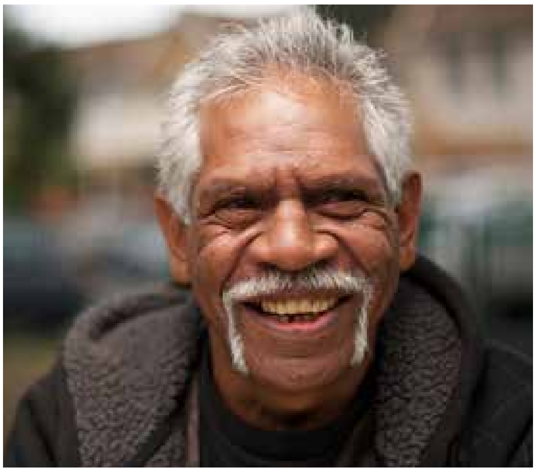
Our Assistance with Care and Housing (ACH) program has been helping older Australians on low incomes access suitable housing for close to 20 years.

We work with clients to link them to the most appropriate housing and care services providing continuous support throughout the referral period so we can identify any warning signs that they are in danger of slipping into homelessness or are losing contact with the services they need.

Bill, a Greek speaking Australian, who at 75 is retired from a life working in construction was referred to us for help with his public housing application.

Bill had been living in boarding house accommodation for several years paying half his weekly income for a single room with a shared bathroom and kitchen. The shared amenities were rarely clean and Bill found himself often eating takeaway food, and using the toilets at the shopping centre across the road to avoid the squalid conditions.

Whilst we were able to help Bill to finalise his housing application, we also took him for a tour of our own affordable accommodation in case he liked what he saw and wanted to make an application there. Bill loved it and we helped him apply, be assessed as a priority and to move in as soon as possible. Bill loves living at Mirrabooka and has made friends with many of the other residents.



He particularly loves having his own kitchen and bathroom and is learning to cook for himself again. His favourite time of day is early evening when he sits on his balcony with a cool drink and watches the possums and rainbow lorikeets in the big gum tree outside his unit.

We use our experience of working with people like Bill to continue to advocate for the reforms necessary to support financially disadvantaged older Australians.

The Fix Pension Poverty campaign is a partnership with National Seniors Australia and has four goals:

1 – better governance in the setting of age pension rates;

2 – access to affordable dental care;

3 – affordable tele-communications for older Australians; and

4 – addressing the impact of private rental on poverty rates amongst people on the age pension.

Innovation

Resilient Families is an evidence-based, intensive family preservation service that provides in home support to strengthen family functioning and wellbeing and prevent the need for children to be placed in the statutory out-of-home care system.

Resilient Families was originally funded through a five-year Social Benefit Bond. At Bond maturity (October 2018), Resilient Families had supported 303 families and 816 children.

The program is now funded on a two-year payment-by-results model, the first of its kind in an Australian child protection context and it is currently keeping 93% of children safely with their families.

Maria and Steve and their two children, have a long history of complex interrelated traumas that have affected their ability to care for their children. Both parents suffered significant abuse as children, and both have ongoing mental health issues because of their childhoods. There have been notifications for domestic violence between Maria and Steve, erratic behaviour, drug use and inconsistent care provided for the children.

Our staff worked to build a trusting relationship with both parents and show that the program's strategies could help them in both immediate and long term ways. Referrals were made to additional services for both parents and the children were enrolled in playgroup and childcare.

Safety and problem solving plans were prepared and Maria and Steve were encouraged to practice strategies to de-escalate stressful situations. Our practitioners explained the benefits of greater social engagement and helped them to interact with neighbours, family and friends to reduce their isolation.

The development of family capacity requires skilled practice and commitment to support our clients when the going gets tough. We continue to work with the family to build on the positive changes that the family is making to keep their children safe at home.

Australia is failing to make any significant change to the numbers of children who are neglected or harmed, placed in out of home care and youth justice centres, who do not meet the developmental milestones in health and learning goals in education.

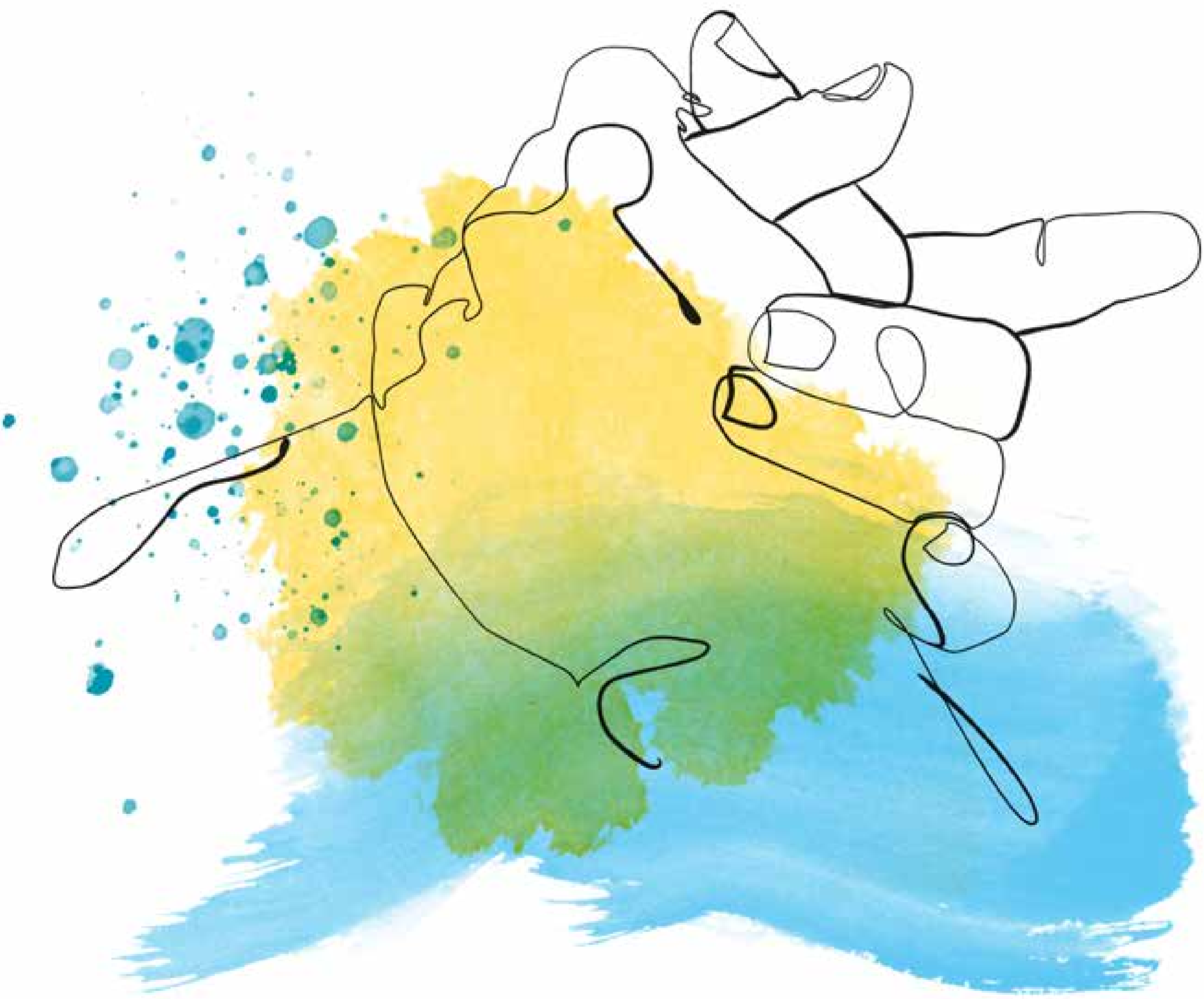
The Benevolent Society in an alliance of organisations and individuals across Australia, has formed the Every Child campaign and is calling on governments to initiate the most significant and valuable nation-building project that has ever been undertaken – **the Every Child National Wellbeing Commitment.**

The Commitment calls on governments to take meaningful action to improve the outcomes for Australia's children and will pursue seven targets for action in order to measure the Australian government's progress on the delivery of the commitment. The Every Child campaign is building nationwide public support for putting children's wellbeing and safety at the centre of all Australian Government agendas.

Resilient Families

	Social Benefit Bond (SBB): Oct 2013 to June 2018	Payment-by results model: July 2018 to June 2019
Number of families supported	303	100
Preservation rate[1]	86%	93%
Reduction in mental health concerns [2]	25.5%	34%
Increase in wellbeing [3]	20.6%	28.9%
Indigenous Australian families [4]	18%	17%
Culturally and Linguistically Diverse families	40%	62%

1 Rate of families able to stay safely together.
2 Measured by the Kessler Psychological Distress Scale-10 (K10) (Kessler et al., 2003).
3 Measured by the Personal Wellbeing Index (PWI) (International Wellbeing Group, 2013).
4 Captures Aboriginal and Torres Strait Islander families.



Financial Report

Directors' report
For the year ended 30 June 2019

Your Directors present their report on the consolidated entity consisting of The Benevolent Society and the entities it controlled at the end of, or during, the year ended 30 June 2019.

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.

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** (Chair resigned 3 December 2018);
- **Tim Beresford** (Chair since 3 December 2018);
- **Andrew Yates** (Chair of the Audit, Finance and Risk Committee)
- **Kathleen Conlon** (Chair of the People and Culture Committee);
- **Robert Warren**;
- **Professor Karen Healy**;
- **Mike Beckerleg**;
- **Charles Prouse**; and
- **Rod Young**.

All Directors are members of The Benevolent Society (see Note 22(a) on page 49 for more information).

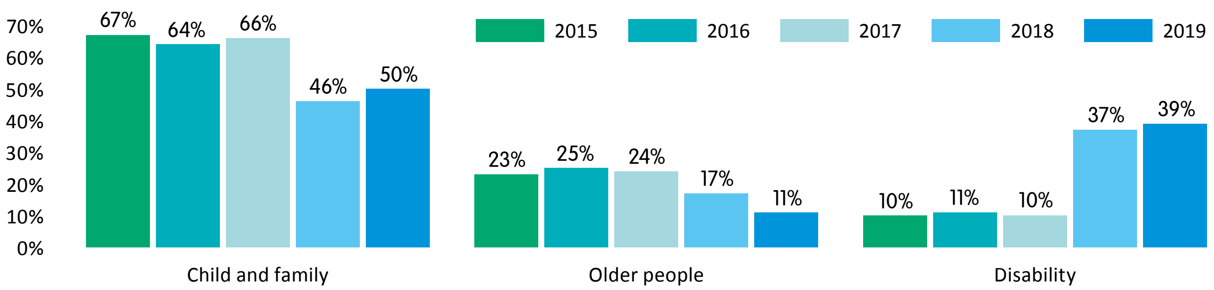
Principal activities

Our principal activities are summarised in **Figure 1** below.

Supporting child development and parenting, older people and people with a disability are our main areas of focus. We work with people of all ages and backgrounds across NSW, Queensland, ACT and South Australia, delivering positive social change and quality services while influencing policy through our advocacy work.

Everything we do is underpinned by the skills of our workforce, the passion of our volunteers and the generosity of our donors, corporate partners and funders. The Benevolent Society employs 1,402 staff, the equivalent of 1,206 full time staff throughout New South Wales, ACT, Queensland and South Australia. Approximately 350 volunteers are involved in our service delivery and supporting our corporate functions at any given time during the year. We also continue to partner with a wide range of for-purpose organisations, academic bodies and government agencies.

Figure 1: Principle Activities (percentages based on income by Service)



Directors' report
For the year ended 30 June 2019

Our strategy and significant changes

Our Strategic Plan gives us direction, defines the impact we want to achieve and helps us bring our vision to life. The growth and sustainability targets in our current strategic plan also provide the foundations for our future and reflect the rapidly changing and increasingly competitive external environment.

Disability Services

We continue to invest heavily in Disability Services following our 2017 acquisition from NSW Family and Community Services. These investments significantly exceeded our strategic planning estimates due primarily to lower customer transaction volumes and higher support costs than initially forecast. This extraordinary level of investment was only possible due to our Endowment Fund, which enabled us to finance ongoing operating losses while we stabilized our Disability Services capability.

In order to ensure the long-term financial viability of the Benevolent Society, a new operating model was implemented on 29 July 2019. This resulted in a significant restructure of the Disability Services workforce and property portfolio. The timing of the restructure coincided with the end of the two year employment guarantee imposed at the time of acquisition by the NSW Government. The Benevolent Society is committed to continue providing services in as many of the geographic locations and communities as possible under a financially sustainable model.

Property strategy

As part of the finalisation of the property strategy that began in 2017, there was a consolidation of sites in the Sydney metropolitan area and the National corporate services co-located service delivery to ensure it was embedded into the community.

The Benevolent Society's national office location at 188 Oxford St, Paddington, NSW was sold on 17 August 2018 for $18,583,000. The net book value at 30 June 2018 for this property was $8,618,000. The Benevolent Society purchased a new and considerably larger National office building at 2E Wentworth Park Rd, Glebe, NSW on 31 August 2018 for $34,910,000.

Performance

The Benevolent Society monitors performance through management reporting, performance scorecards, KPIs and benchmarks, including:

- outcome measures of service delivery;
- actual performance versus budgeted performance;
- the cost-effectiveness of fundraising activities; and
- the cost of administration and indirect costs to support operations.

We also assess client experience through a range of feedback mechanisms and regular net promoter score surveys.

Review of operations and results

Operating results

The Consolidated Group deficit amounted to $30,221,000 (2018: deficit $20,959,000 consisting of a deficit $40,959,000 offset by a $20,000,000 subsidy), funded through drawing on the Endowment Fund. The Consolidated Group deficit is primarily a result of the disability services deficit $26,370,000 (2018: deficit $40,562,000 offset by a $20,000,000 subsidy). The intent is that our services will ultimately return a surplus which will be invested back into the Endowment Fund.

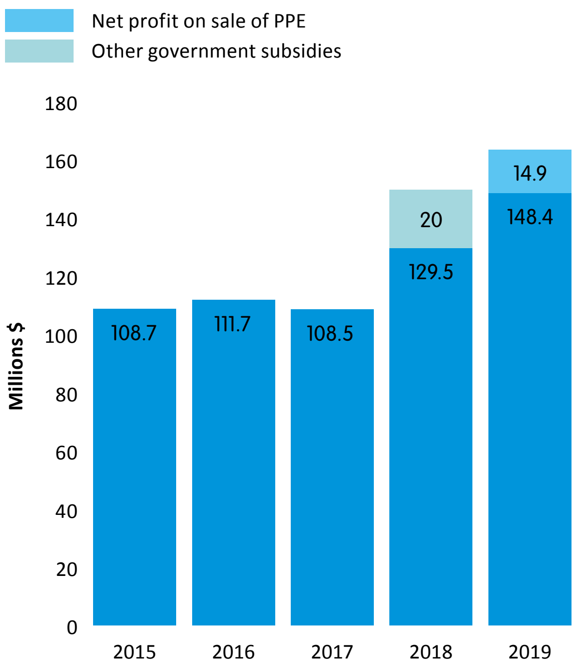
Review of operations

A review of operations of the Consolidated Group during the financial year shows revenue growth of 9.2% (2018: 37.8%). This increase is mainly due to additional community services contracts awarded for 2019, increased Disability Services revenue and sale proceeds from property divestments.

Directors' report
For the year ended 30 June 2019

Operating expenses for the year increased by 13.5% (2018: 55.6%) due to additional employee costs related to new community service contracts and restructuring provisions for the new disability services operating model implementation.

Figure 2: Our revenue



Endowment investments

The Benevolent Society manages the Endowment investments through the Endowment Investment Advisory Committee.

The Endowment Fund's purpose is to secure the long-term sustainability of The Benevolent Society and fund strategic initiatives and activities.

In addition to this also to advise the Board on the following aspects of the Endowment:

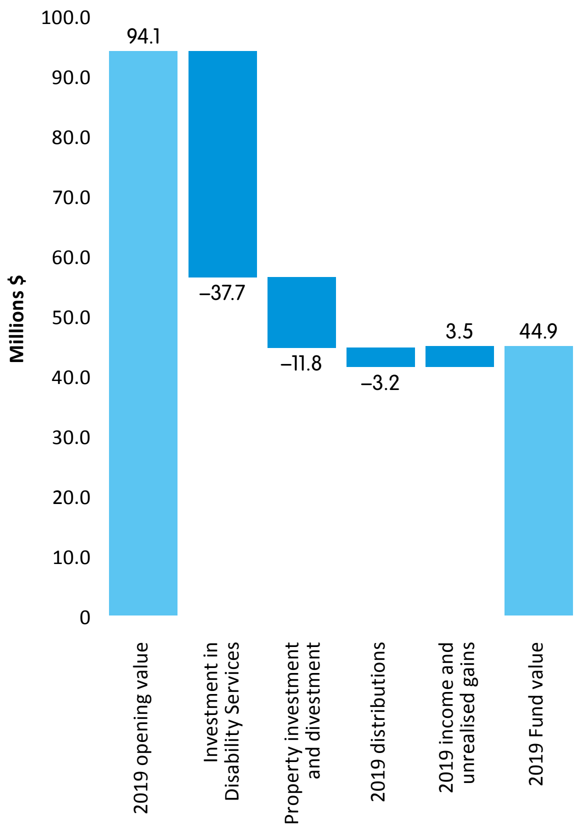
- investment and disbursement policy;
- investment strategy;
- implementation of strategy and review of outcomes; and
- reporting.

The Committee Members are appointed by the Board.

- Chair: **Craig Ueland** AB Ec, 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)
- **Robert Warren** BEc, CA, A Fin, GAICD (appointed June 2015)
- **Sally Collier** BEc, GAICD (appointed September 2016).

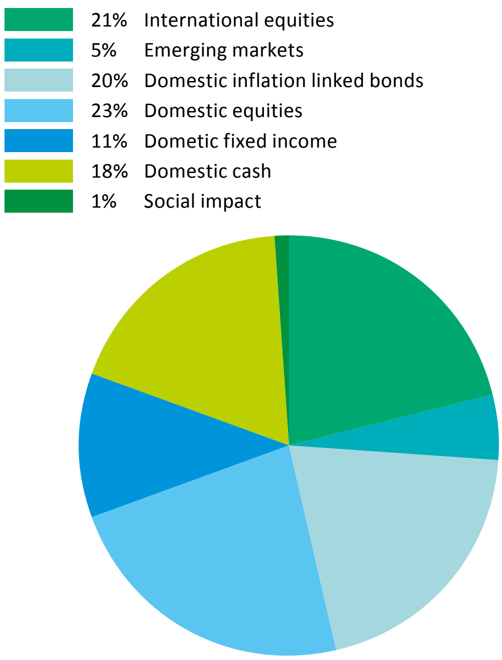
During the year the Endowment Fund moved as follows:

Figure 3: Endowment Fund value movement



Directors' report
For the year ended 30 June 2019

Figure 4: Endowment Fund allocations



The fund allocation chart above reflects the actual allocation and is aligned with the Endowment Fund's strategic allocation.

Investment performance and distributions

Aided by continued supportive local and global financial markets, the endowment returned 5.4% (2018: 7.2%), which represents a real return after inflation of 3.7%. The graph below (**Figure 5** at right) relates to total and real returns over the ten years to 2019. Up to 2011 the portfolio included business assets used for operating The Benevolent Society's programs.

The Endowment Fund has invested heavily in Disability Services, supporting the restructure and the ongoing investment in continuing operations. This strategic Investment has resulted in the Endowment Fund reducing from $94.1 m to $44.9m.

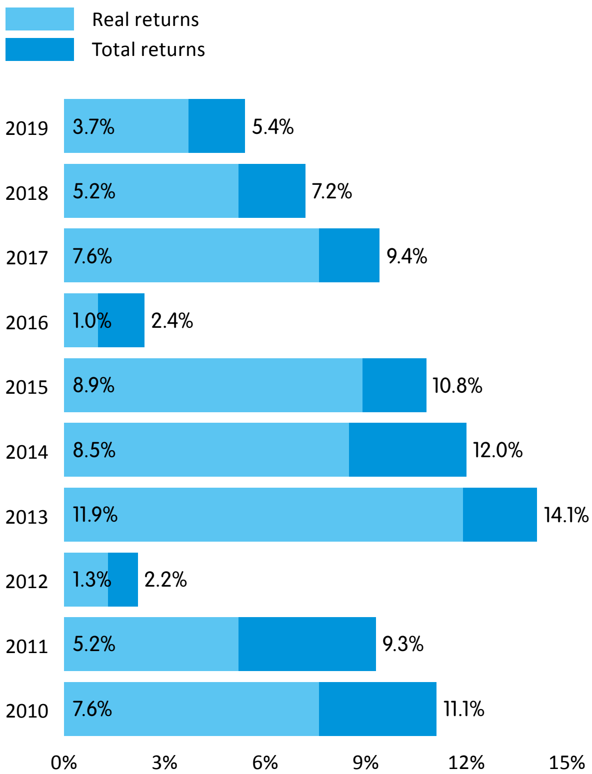
Our expectations are to start to replenish the Fund with positive cash flows over the short to medium term, with minimal withdrawals.

In years with strong investment markets and favourable economic conditions, our intent is that the Endowment disburses less than it earns and grows in value to buffer the principal against future economic downturns.

In years with weak investment markets and economic conditions (such as 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 eight of the last ten years.

The Endowment has generated an average real return over the past ten-year period of 6.1 % p.a.

Figure 5: Total and real returns of the Endowment Fund (%)



Directors' report
For the year ended 30 June 2019

Strategy

The short term goal is to retain current levels of funding in the Endowment and gradually increase the fund over the short to medium term.

Matters subsequent to the end of the financial year

Disability Services restructure

On 29 July 2019 a new Disability Services operating model was implemented. The restructure resulted in a significant workforce reduction with redundancies and a property rationalisation.

The restructure is anticipated to enable Disability Services to continue operating as a financially viable and sustainable business.

Likely developments and expected results of operations

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 1** opposite were Directors of The Benevolent Society during the financial year and up to the date of this report.

Directors' meetings

Table 1 shows the number of Board and Board sub-committee meetings held while the person was a Director, during the year ended 30 June 2019, and the number of meetings each attended.

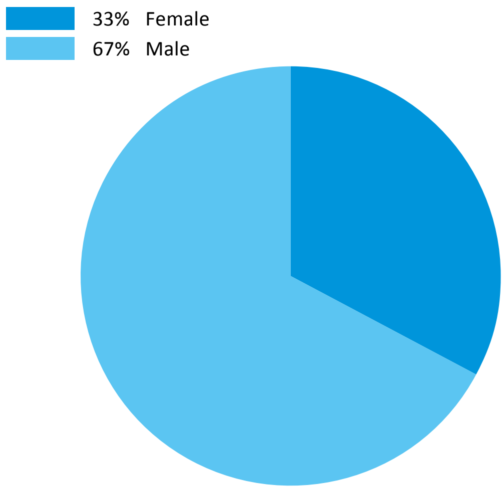
Remuneration of Directors

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.

Figure 6: Composition of the Board



Insurance of officers

During the financial year, The Benevolent Society paid premiums of $44,669 (2018: $57,533) to insure its Directors, Company 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, Company 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.

Directors' report
For the year ended 30 June 2019

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 against 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.
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*.

Table 1: Directors meetings

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

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 auditor for audit and non-audit services provided during the year are set out on in **Figure 7** 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 auditor 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 auditor; and
- none of the services undermine the general principles relating to auditors' independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration is set out on page 25, as required under section 60- 40 of the *Australian Charities and Not-for-profits Commission Act 2012*.

Directors' report
For the year ended 30 June 2019

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

Figure 7: Assurance and other services provided by PricewaterhouseCoopers

	2019 $	**2018 $**
1. Audit services		
PricewaterhouseCoopers: Audit of financial reports and other audit work under the *Australian Charities and Not-for-profits Commission Act 2012*	89,400	121,257
Total remuneration for audit services	89,400	121,257
2. Other assurance services		
PricewaterhouseCoopers: Review of government grant financial reports	23,400	23,400
Total remuneration for other assurance services	23,400	23,400
3. Other services		
PricewaterhouseCoopers: M&A transaction and transition services	–	675,000
Total remuneration for other services	–	675,000
Total remuneration to PricewaterhouseCoopers	112,800	819,657

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.

Tim Beresford
Chair
Sydney
16 September 2019

Auditor's Independence Declaration
For the year ended 30 June 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of The Benevolent Society for the year ended 30 June 2019, 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.

This declaration is in respect of The Benevolent Society and the entities it controlled during the period.

Mark Valerio
Partner
PricewaterhouseCoopers

Sydney
16 September 2019

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Consolidated statement of income and comprehensive income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue			
Revenue from operating activities	2	148,338	149,832
Other income/(loss)	2	14,910	(360)
Total revenue		**163,248**	**149,472**
Expenses			
Community services expenses		(140,589)	(132,265)
Events, marketing and communications expenses		(3,312)	(3,796)
Social initiatives expenses		(1,660)	(2,380)
Infrastructure and investment expenses		(47,908)	(31,990)
Total expenses from continuing operations	3(a)	(193,469)	(170,431)
Deficit before income tax		**(30,221)**	**(20,959)**
Income tax expense	35(e)	–	–
Deficit from continuing operations		**(30,221)**	**(20,959)**
Other comprehensive income			
Items that may be reclassified to Statement of Income			
Changes in the fair value of available-for-sale financial assets	20(a)	–	(1,757)
Items that will not be reclassified to Statement of Income			
Actuarial gains on employee benefit obligations	19(i)	94	1,353
Other comprehensive income/(loss) for the year		**94**	**(404)**
Total comprehensive loss for the year		**(30,127)**	**(21,363)**

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

Consolidated balance sheet
As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	4	20,746	10,205
Trade and other receivables	5	15,080	12,658
Other financial assets at amortized cost (2018: held-to-maturity investments)	6	–	1,000
Assets classified as held for sale	7	3,698	14,731
Total current assets		39,524	38,594
Non-current assets			
Receivables	8	3,366	3,366
Available-for-sale financial assets	9a	–	83,373
Financial assets at fair value through profit or loss	9b	40,104	–
Held-to-maturity investments	10a	–	100
Other financial assets at amortized cost	10b	100	–
Property, plant and equipment	11	61,930	35,928
Intangible assets	12	3,106	8,558
Total non-current assets		108,606	131,325
Total assets		**148,130**	**169,919**
Liabilities			
Current liabilities			
Trade and other payables	13	27,414	18,731
Employee benefit obligations	14	19,111	21,256
Borrowings	15	647	191
Refundable loans	16	217	245
Total current liabilities		47,389	40,423
Non-current liabilities			
Borrowings	17	1,141	164
Provisions	18	928	789
Employee benefit obligations	19	6,557	6,301
Total non-current liabilities		8,626	7,254
Total liabilities		**56,015**	**47,677**
Net assets		**92,115**	**122,242**
The Benevolent Society Funds			
Available-for-sale financial assets reserve	20(a)	–	–
Restricted grants reserve	20(b)	–	215
Retained surplus	20(c)	90,668	120,674
Defined benefit reserve	20(d)	1,447	1,353
Total funds		**92,115**	**122,242**

Consolidated statement of changes in funds
For the year ended 30 June 2019

	Notes	Restricted grants reserve $'000	Assets available for sale reserve $'000	Defined Benefit Reserve $'000	Retained surplus $'000	Total $'000
Balance as at 1 July 2017		**215**	**3,767**		**139,623**	**143,605**
Deficit for the year	20(c)	–	–	–	(20,959)	(20,959)
Other comprehensive income/ (loss) for the year		–	(1,757)	1,353	–	(404)
Balance as at 30 June 2018 as originally presented		**215**	**2,010**	**1,353**	**118,664**	**122,242**
Change in accounting policy	34	–	(2,010)	–	2,010	–
Restated balance as at 30 June 2018		**215**	**–**	**1,353**	**120,674**	**122,242**
Deficit for the year	20(c)	–	–	–	(30,221)	(30,221)
Other comprehensive income/ (loss) for the year	20(d)	–	–	94	–	94
Transfer restricted grants reserve to retained surplus	20(b)	(215)	–	–	215	–
Balance as at 30 June 2019		**–**	**–**	**1,447**	**90,668**	**92,115**

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

Consolidated statement of cash flows
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from government funding and clients (inclusive of goods and services tax)		151,590	155,034
Payments to suppliers and employees (inclusive of goods and services tax)		(176,104)	(180,889)
Net cash outflow from operating activities		**(24,514)**	**(25,855)**
Cash flows from investing activities			
Payments for property, plant and equipment		(37,166)	(29,517)
Payments for intangible assets		(1,155)	(2,246)
Receipts from acquisition of subsidiary, net of cash acquired	21	669	22,100
Payments for purchase of investments		(578)	(7,719)
Distributions on financial assets at fair value through profit and loss*		4,860	1,748
Proceeds from sale of investments		45,208	29,795
Proceeds from sale of property, plant and equipment		23,217	1,101
Net cash inflow from investing activities		**35,055**	**15,262**
Cash flows from financing activities			
Proceeds from borrowings		–	355
Net cash inflow from financing activities		**–**	**355**
Net increase/(decrease) in cash and cash equivalents		10,541	(10,238)
Cash and cash equivalents at the beginning of the financial year		10,205	20,443
Cash and cash equivalents at end of year	4	**20,746**	**10,205**

*Previously classified as available-for-sale financial assets.

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

Notes to the financial statements
For the year ended 30 June 2019

Notes to the financial statements
For the year ended 30 June 2019

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 19.

2. Revenue

	2019 $'000	2018 $'000
(a) From operations		
Government funding	102,513	87,718
Other government subsidies	–	20,000
Client fees and charges	38,954	27,152
Bequests and legacies	118	26
Social Benefit Bond Funding	500	2,000
Corporate funding	294	427
Trusts and foundations (refer to Note 30(a))	1,355	693
Fundraising appeals and events (refer to Note 30(a))	401	486
Revenue from operations	**144,135**	**138,502**
(b) From investments		
Interest	715	1,501
Investment distributions	2,126	5,549
Realised gain on sale of investments	844	4,280
Unrealised gain on sale of investments	518	–
Revenue from investments	**4,203**	**11,330**
Total revenue from continuing operations	**148,338**	**149,832**
(c) Other income/(loss)		
Rent	651	505
Reimbursements	679	163
Gain on bargain purchase	1,559	–
Sale of goods	1	5
Net profit/(loss) on sale of property, plant and equipment	12,020	(1,033)
Total other income/(loss)	**14,910**	**(360)**

Notes to the financial statements
For the year ended 30 June 2019

3. Expenses

	2019 $'000	2018 $'000
(a) Expenses from operations		
Salaries and wages	122,254	115,266
Administration expenses	13,998	12,547
Information technology	4,335	5,606
Marketing, events and communications	2,040	2,723
Travel and transport	3,787	3,828
Client and brokerage expenditure	10,109	10,136
Community partners	4,134	4,328
Property and equipment maintenance	11,425	10,585
Impairment — Goodwill	4,938	–
Impairment — Property, plant and equipment	5,838	–
Depreciation and amortisation	7,700	5,412
Others	2,911	–
Total expenses from operations	**193,469**	**170,431**
(b) Expenses from operations include the following specific expenses:		
Depreciation and amortisation		
Buildings	1,026	219
IT Software	1,670	1,039
Plant and equipment	5,004	4,154
Total depreciation and amortisation	**7,700**	**5,412**
Rental expenses relating to operating leases		
Lease payments	6,380	7,015
Net transfers to provisions		
Employee entitlements	1,235	(4,386)
Receivables written off during the year as uncollectable	34	7

Notes to the financial statements
For the year ended 30 June 2019

4. Current assets: cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	20,059	9,902
Short term deposits — Endowment	687	303
Total cash and cash equivalents	**20,746**	**10,205**

(a) Cash at bank and on hand

This consists of one at call interest bearing account of $18,388,123 at interest rate of 1.20% (2018: $8,588,873 at interest rate of 1.45%).

(b) Short term deposits

Deposits are with the Commonwealth Bank of Australia and Westpac Banking Corporation. Deposit rates are between 1.20% and 2.37% (2018: 2.48% and 2.53%). 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 33.

(d) Reconciliation of cash at the end of the year

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

	2019 $'000	2018 $'000
Balances as above	20,746	10,205
Balances as per consolidated statement of cash flows	20,746	10,205

Notes to the financial statements
For the year ended 30 June 2019

5. Current assets: trade and other receivables

	2019 $'000	2018 $'000
Trade receivables	11,122	4,273
Term deposits — Endowment	3,000	3,060
Less provision for expected credit loss	(1,196)	(130)
Investment Income receivable	1,174	4,198
Subtotal Trade receivables	**14,100**	**11,401**
Prepayments	963	1,257
Other Debtors	17	–
Total Trade and other receivables	**15,080**	**12,658**

Movements in the provision for expected credit loss are as follows:

	2019 $'000	2018 $'000
At 1 July	131	34
Provision for expected credit loss	1,471	195
Receivables written off during the year as uncollectible	(34)	(7)
Other	(372)	(91)
At 30 June	**1,196**	**131**

The creation and release of the provision for impaired receivables has been included in 'Community services expenses' in the consolidated statement of income and comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Notes to the financial statements
For the year ended 30 June 2019

6. Current assets: other financial assets at amortised cost (2018: held-to-maturity investments)

	2019 $'000	2018 $'000
The Benevolent Society Social Benefit Bond	–	1,000
Total	**–**	**1,000**

(a) Social Benefit Bonds

The Benevolent Society Social Benefit Bond consisted 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.

The Social Benefit Bonds are denominated in Australian currency. As a result, as of 30 June 2018 there was 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 was 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 is 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.

The bonds matured on 3 October 2018. The Benevolent Society also received interest income of $492,800 from the investment in Social Benefit Bond when the bond matured in October 2018.

The above investments have been reclassified to financial assets at amortised cost on adoption of AASB 9 Financial Instruments.

See Note 34 for the impact of the change in accounting policy following the adoption of AASB 9 on the classification of financial assets and Note 35(k) for the remaining relevant accounting policies.

Notes to the financial statements
For the year ended 30 June 2019

7. Current assets: assets classified as held for sale

	Land $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Cost				
Balance as at 1 July 2018	9,388	7,511	1,758	18,657
Additions	–	–	–	–
Reclassification	–	–	–	–
Disposals	(6,187)	(6,860)	(1,515)	(14,562)
Assets classified as held for sale	–	–	–	–
Balance as at 30 June 2019	3,201	651	243	4,095
Accumulated depreciation				
Balance as at 1 July 2018	–	(2,962)	(964)	(3,926)
Disposals	–	2,739	953	3,692
Assets classified as held for sale	–	–	–	–
Depreciation expense	–	(53)	(110)	(163)
Balance as at 30 June 2019	–	(276)	(121)	(397)
Net book value 2019	**3,201**	**375**	**122**	**3,698**
Net book value 2018	**9,388**	**4,549**	**794**	**14,731**

On 4 June 2018 the Directors of The Benevolent Society decided to sell several operational sites comprising land and buildings as part of the overall strategic objective of the organisation. As of 30 June 2019 the site located at 27 Nelson St Woollahra NSW remains for sale and is expected to be sold by private treaty and completed before 30 June 2020. Assets classified as held for sale during the reporting period were measured at the lower of the carrying amount and fair value less costs to sell at the time of the reclassification, resulting in a NIL adjustment. The fair value of the assets was determined using the sales comparison approach, which entails the following steps: research the market to obtain information pertaining to sales, and pending sales that are similar to the subject property; investigate the market data to determine whether they are factually correct and accurate; determine relevant units of comparison (e.g. sales price per square metre), and develop a comparative analysis for each; compare the subject and comparable sales according to the elements of comparison and adjust as appropriate; and reconcile the multiple value indications that result from the adjustment (upward or downward) of the comparable sales into a single value indication.

Notes to the financial statements
For the year ended 30 June 2019

8. Non-current assets: receivables

	2019 $'000	2018 $'000
Receivables	3,366	3,366
Total non-current receivables	**3,366**	**3,366**

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. The deeply subordinated notes in Goodstart Early Learning has a maturity date of October 2030.

(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 33.

9a. Non-current assets: available-for-sale financial assets

Financial assets previously classified as available-for-sale financial assets included the following classes of financial assets:

	2019 $'000	2018 $'000
Managed funds	–	83,353
Unlisted Shares	–	20
Total available-for-sale financial assets	**–**	**83,373**

See Note 35(k) for details about the group's previous policies for available-for-sale financial assets.

Notes to the financial statements
For the year ended 30 June 2019

9b. Non-current assets: financial assets at fair value through profit or loss

Classification of financial assets at fair value through profit or loss.

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI.

	2019 $'000	2018 $'000
Managed funds	40,084	–
Unlisted Shares	20	–
Total financial assets at fair value through profit or loss	**40,104**	**–**

See Note 34 for explanations regarding the change in accounting policy and the reclassification of investments from available-for-sale to financial assets at FVPL following the adoption of AASB 9, and Note 35(k) for the remaining relevant accounting policies.

(a) Managed funds

The managed funds hold assets in line with The Benevolent Society's approved Strategic Asset Allocation. A disbursement of $3,160,000 (2018: $3,930,000) 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 Note 31.

(b) Unlisted shares

Unlisted shares are held in Community 21 (4,000 shares at $5.00 each).

(c) Non-current assets pledged as security

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

(d) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the fair value of the managed funds classified as financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets).

All financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets) are denominated in Australian currency. For an analysis of the sensitivity of financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets) to price and interest rate risk refer to Note 33.

Notes to the financial statements
For the year ended 30 June 2019

10a. Non-current assets: held-to-maturity investments

	2019 $'000	2018 $'000
Newpin Social Benefit Bond	–	100
Total held-to-maturity investments	**–**	**100**

The above investments have been reclassified to financial assets at amortised cost on adoption of AASB 9 Financial Instruments.

In previous years the group classified the above investments as held-to-maturity investments, see Note 35(k).

10b. Non-current assets: other financial assets at amortised cost

	2019 $'000	2018 $'000
Newpin Social Benefit Bond	100	–
Total other financial assets at amortised cost	**100**	**–**

See Note 34 for the impact of the change in accounting policy following the adoption of AASB 9 on the classification of financial assets and Note 35(k) for the remaining relevant accounting policies.

(a) 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.

Notes to the financial statements
For the year ended 30 June 2019

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

	Work in progress Assets in the course of construction $'000	Land $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Cost					
Balance as at 1 July 2018	7,683	–	1,267	36,521	45,471
Additions	3,263	–	32,144	2,627	38,034
Reclassification	(10,575)	–	3,541	7,034	–
Disposals	–			(3,569)	(3,569)
Balance as at 30 June 2019	371	–	36,952	42,613	79,936
Accumulated depreciation					
Balance as at 1 July 2018	–	–	(615)	(8,928)	(9,543)
Disposals				3,242	3,242
Depreciation expense			(973)	(4,894)	(5,867)
Balance as at 30 June 2019	–	–	(1,588)	(10,580)	(12,168)
Impairment	–	–	–	(5,838)	(5,838)
Net book value 2019	**371**	**–**	**35,364**	**26,195**	**61,930**
Net book value 2018	**7,683**	**–**	**652**	**27,593**	**35,928**

(b) Leased assets

The Benevolent Society did not have any finance leases (2018: nil).

(c) 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 in June 2019 by Savills Valuations showed recoverable values as greater than carrying values thus an impairment loss did not occur (refer Note 35(h)).

Newly acquired buildings were valued at $36,000,000 in June 2019 with a carrying value of $35,685,000 (2018: nil).

(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.

(e) Assets classified as held for sale

Refer to Note 7.

Notes to the financial statements
For the year ended 30 June 2019

12. Non-current assets: intangible assets

	Work in progress IT Development and Software $'000	IT Software $'000	Goodwill $'000	Total $'000
Gross carrying amount				
Balance as at 1 July 2018	125	6,282	4,937	11,344
Additions	1,144	11	–	1,155
Reclassification	(825)	825	–	–
Disposals	–	(555)	–	(555)
Impairment	–	–	(4,937)	(4,937)
Balance as at 30 June 2019	444	6,563	–	7,007
Accumulated depreciation				
Balance as at 1 July 2018	–	(2,786)	–	(2,786)
Disposals	–	555	–	555
Depreciation expense	–	(1,670)	–	(1,670)
Balance as at 30 June 2019	–	(3,901)	–	(3,901)
Net book value 2019	**444**	**2,662**	**–**	**3,106**
Net book value 2018	**125**	**3,496**	**4,937**	**8,558**

(a) Significant estimate: key assumptions used for discounted future cash flow model

The Benevolent Society tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on the fair value less cost to sell approach in accordance with AASB 13 Fair value measurement.

The goodwill recognised in FY18 related to the acquisition of Disability Services. Disability Services is considered to be a separate CGU as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill impairment is therefore assessed at the Disability Services level. TBS apply the Income approach by using the discounted future cash flow model. The calculations use cash flow projections based on financial budgets approved by the Board covering FY20. Cash flows beyond the first year is extrapolated using estimated growth rates.

The impairment review performed at 30 June 2019 concluded that future discounted cash inflows are outweighed by the initial operating losses to be incurred during the early stages of FY20 and the restructuring costs relating to the implementation of the new Disability Services operating model on 29 July 2019. This has resulted in the write-off of goodwill during the year ended 30 June 2019.

Notes to the financial statements
For the year ended 30 June 2019

13. Current liabilities: trade and other payables

	2019 $'000	2018 $'000
Trade payables	2,578	1,090
Other payables	6,829	3,231
Accruals	7,145	6,206
Unexpended grants: government funding received in advance	10,862	8,204
Total current liabilities: trade and other payables	**27,414**	**18,731**

(a) Risk exposure

Information about The Benevolent Society's exposure to foreign exchange risk is provided in Note 33.

14. Current liabilities: employee benefit obligations

	2019 $'000	2018 $'000
Employee benefits — annual leave	8,410	8,587
Employee benefits — long service leave	10,701	12,669
Total current liabilities: employee benefit obligations	**19,111**	**21,256**

15. Current liabilities: borrowings

	2019 $'000	2018 $'000
Hire purchase liabilities	712	202
Unexpired hire purchase liability	(65)	(11)
Total current liabilities: borrowings	**647**	**191**

16. Current liabilities: refundable loans

	2019 $'000	2018 $'000
Resident entry contributions	217	245
Total current liabilities: refundable loans	**217**	**245**

Notes to the financial statements
For the year ended 30 June 2019

17. Non-current liabilities: borrowings

	2019 $'000	2018 $'000
Hire purchase liabilities	1,188	170
Unexpired hire purchase liability	(47)	(6)
Total non-current liabilities: borrowings	**1,141**	**164**

18. Non-current liabilities: provisions

	2019 $'000	2018 $'000
Property make good provisions	928	789
Total non-current liabilities: provisions	**928**	**789**

Make good provision

The Benevolent Society is required to restore several leased premises currently utilised as operational hubs to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

19. Non-current liabilities: employee benefit obligations

	2019 $'000	2018 $'000
Employee benefits — long service leave	648	712
Defined superannuation benefit	5,909	5,589
Total non-current liabilities: employee benefit obligations	**6,557**	**6,301**

Notes to the financial statements
For the year ended 30 June 2019

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit

On acquisition of the New South Wales State Government Family and Community Services Disability operations on 28 July 2017, a commitment was made by the organisation to a number of employees to continue their arrangements in respect of their defined superannuation benefits plan.

Accordingly TBS will be the new employer for the purpose of the following public sector defined benefit schemes:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS); and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The above schemes (along with the Police Superannuation Scheme (PSS)) are collectively known as the NSW Pooled Fund (Pooled Fund).

These schemes are all defined benefit schemes — at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

(a) Investment risk

The risk that investment returns will be lower than assumed and the group will need to increase contributions to offset this shortfall.

(b) Pension indexation risk

The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

(c) Salary growth risk

The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

(d) Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Notes to the financial statements
For the year ended 30 June 2019

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit (continued)

(d) Legislative risk (continued)

(i) Balance Sheet amounts

The amounts recognised in the Balance Sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation $'000	Fair Value of Plan assets $'000	Total $'000
1 July 2018	(24,182)	18,593	(5,589)
Total amount recognised in profit and loss	(1,128)	356	(772)
Total amount recognised in other comprehensive income	(805)	899	94
Contributions by fund participants	(244)	244	–
Contribution by the employer	–	358	358
Benefits paid by the plan	4,437	(4,437)	–
30 June 2019	(21,922)	16,013	(5,909)

Net liability disclosed above relates to funded obligations.

	2019 $ '000	2018 $ '000
Present value of funded obligations	(21,922)	(24,182)
Fair value of plan assets	16,013	18,593
Deficit of funded plans	(5,909)	(5,589)

TBS has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. TBS intends to continue to contribute to the defined benefit section of the plan at the following rates in line with the actuary's latest recommendations.

Superannuation schemes	Basis of contribution	Rate
SASS	Multiple of Member Contributions	1.4% p.a.
SANCS	% of Member Salary	3.1% p.a.
SSS	Multiple of Member Contributions	0.8% p.a.

Notes to the financial statements
For the year ended 30 June 2019

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit (continued)

(d) Legislative risk (continued)

(ii) Categories of plan assets

The percentage invested in each asset class at the reporting date are as follows:

Category of assets	As at 30 June 2019
Short Term Securities	9.58%
Australian Fixed Interest	5.44%
International Fixed Interest	4.66%
Australian Equities	19.83%
International Equities	26.98%
Property	8.50%
Alternatives	25.01%
Total	**100.00%**

(iii) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

Assumptions	As at 30 June 2019
Discount rate (10 year corporate bond yield)	2.85% p.a.
Salary increase rate (excluding promotional increases)	3.2% p.a.
Rate of CPI increase	1.75% p.a. for 2018/19 and 2019/20 2.00% p.a. for 2020/21 2.25% p.a. for 2021/22 and 2022/23 2.50% p.a. thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review. The review will be performed by the actuary in accordance with AASB 1056 Accounting Standard 'Superannuation Entities'.

The economic assumptions adopted for 30 June 2019 AASB 1056 Accounting Standard 'Superannuation Entities' are (these assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund):

Weighted-Average Assumptions	As at 30 June 2019
Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2% p.a.
Expected rate of CPI increase	2.2% p.a.

Notes to the financial statements
For the year ended 30 June 2019

20. Reserves and retained surplus

	2019 $'000	2018 $'000
(a) Available-for-sale financial assets reserve		
Balance 1 July	–	3,767
Transfer to Retained surplus	–	(2,010)
Revaluation	–	2,523
Transfer to Statement of Income on disposal of investments	–	(4,280)
Balance 30 June	–	–

Further details of the performance of the Endowment investments are provided in Note 31.

The transfer to retained surplus of $2,010,000 relates to the Implementation of AASB 9. See Note 34 for explanations regarding the change in accounting policy and the reclassification of investments from available-for-sale to financial assets at FVPL following the adoption of AASB 9.

	2019 $'000	2018 $'000
(b) Restricted grants reserve		
Balance 1 July	215	215
Transfer to retained surplus	(215)	–
Balance 30 June	–	215
(c) Retained surplus		
Balance 1 July	120,674	139,623
Transfer from available-for-sale financial assets reserve	–	2,010
Net deficit for the year	(30,221)	(20,959)
Transfer from restricted grants reserve	215	–
Balance 30 June	90,668	120,674
(d) Defined benefit reserve		
Balance 1 July	1,353	–
Re-measurement of employee benefit obligation	94	1,353
Balance 30 June	1,447	1,353

Notes to the financial statements
For the year ended 30 June 2019

20. Reserves and retained surplus (continued)

(e) Nature and purpose of reserves

Available-for-sale financial assets revaluation reserve

Previously changes in the fair value of managed fund investments classified as available-for-sale financial assets, were taken to this reserve. Following the adoption of AASB 9 these assets were reclassified as fair value through profit and loss, and the reserve balance reclassified to opening retained surplus as described in Note 34.

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.

Defined benefit reserve

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in reserve in the statement of changes in equity and in the Balance Sheet.

21. Acquisitions

(a) Acquisition of Inclusive Directions SA

On 1 July 2018 The Benevolent Society acquired the Assets and Liabilities of Inclusive Directions SA. Since this date Inclusive Directions SA assets, liabilities and staff have all transitioned directly to The Benevolent Society.

The assets and liabilities recognised as a result of the acquisition are as follows:

	2019 $'000
Cash and cash equivalents	669
Other current assets	476
Non-current assets	868
Total assets	**2,013**
Trade and other payables	(302)
Employee benefits	(152)
Total Liabilities	**(454)**
Net assets	**1,559**
Consideration paid	**–**
Gain on bargain purchase recognised in other income/(loss) Note 2(c)	**1,559**

Notes to the financial statements
For the year ended 30 June 2019

22. Key management personnel disclosures

(a) Directors

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

Lisa Chung (Chair) LLB, FAIM, FAICD	Since 27 June 2011 (Resigned 3 December 2018)
Tim Beresford BE (Hons), LLB MPhil (International Relations) ASIA, FAICD	Since 14 February 2013 (Chair since 3 December 2018)
Andrew Yates (Chair, Audit, Finance and Risk Committee) BEc	Since 9 November 2015
Kathleen Conlon (Chair, People and Culture Committee) BA (Econ), MBA	Since 14 February 2013
Robert Warren BEc, CA, A Fin, GAICD	Since 19 July 2010
Professor Karen Healy Ph D, BSocWk (Hons), GAICD	Since 4 April 2011
Mike Beckerleg	Since 22 September 2014
Charles Prouse	Since 10 August 2015 (Leave of absence 17 June 2017 to 25 February 2019)
Rod Young LLB, BHSM, MAICD, ACHSM	Since 1 November 2016
Elaine Leong (Group Company Secretary) 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.

Notes to the financial statements
For the year ended 30 June 2019

22. Key management personnel disclosures (continued)

(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 (up to 20 August 2018)
Nicholas Johnson CA (SA), AGIA ACIS	Executive Director, Finance and Corporate Services (from 29 January 2019)
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
Josh Keech LLB, BintBus, GradDipLegalPrac, CAHRI, GAICD	Executive Director, People Learning and Engagement (from 6 August 2018)
Anna Robinson BA (Politics), MPPM	Executive Director, Business Development
Jo–Anne Hewitt MA (Psychology), BA (EP)	Executive Director, Disability Services (up to 7 June 2019)
Andrew Collins BN, GradDipPubH	Executive Director, Ageing (from 29 October 2018)

(d) Other key management personnel compensation

	2019 $'000	**2018 $'000**
Short term employee benefits (total compensation)	2,726	2,297

Other key management personnel compensation increase is primarily driven by termination payments and prior year vacancies.

(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.

23. Limitation of members' liabilities

The parent entity is registered with the Australian Charities and Not-for-Profits Commission as a company limited by guarantee, and in accordance with the constitution the liability of members in the event the parent entity is wound up would not exceed $100 per member. At 30 June 2019 the number of members of this company was 54 (2018: 54).

Notes to the financial statements
For the year ended 30 June 2019

24. Contingencies

The Benevolent Society had $2,160,000 contingent liabilities at 30 June 2019 (2018: $2,918,000) in relation to security for property lease agreements. The Benevolent Society had no contingent assets at 30 June 2019 nil (2018: 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.

25. Commitments

(a) Capital commitments

The Benevolent Society had capital commitments payable within one year as at 30 June 2019 of $265,000 in relation to property fit outs (2018: $1,313,000).

(b) Operating lease commitments

	2019 $'000	**2018 $'000**
Commitments in relation to rental of premises contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	6,514	6,185
Later than 1 year but not later than 5 years	19,073	20,648
Later than 5 years	10,344	14,354
Total Operating lease commitments	35,931	41,187

(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.

26. Subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 35(g):

Name of entity	**Country of incorporation**	**Class of shares**	**2019 % Owned**	**2018 % Owned**
Benevolent Australia Disability Service	Australia	Ordinary	100	100
Inclusive Directions SA	Australia	Ordinary	100	–
Benevolent Housing Australia	Australia	Ordinary	100	100

Notes to the financial statements
For the year ended 30 June 2019

27. Parent entity financial information

Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2019 $'000	2018 $'000
Balance Sheet		
Current assets	36,780	31,880
Total assets	148,787	168,888
Current liabilities	32,782	26,106
Total liabilities	35,424	27,437
Shareholder's equity		
Available-for-sale financial assets reserve	–	2,010
Restricted grants reserve	–	215
Retained surplus	113,363	139,226
Total Equity	113,363	141,451
Deficit for the year	(3,851)	(397)
Total comprehensive loss for the year	(3,851)	(2,154)

28. 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 (SVA) is a company limited by guarantee, incorporated and operating in Australia. The Benevolent Society invested a sum of $600,000 in SVA. At Balance Sheet date the carrying value of this investment amounted to $559,950. 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 2019 The Benevolent Society received a coupon payment of $15,082 (2018: $16,439).

(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 2019 The Benevolent Society received interest income of $504,841 (2018: $504,841) and held receivables of $3,366,000 (2018: $3,366,000) principal and interest in relation to deeply subordinated notes.

The Benevolent Society Social Benefit Trust No. 1

The Benevolent Society was appointed as the Manager of The Benevolent Society Social Benefit Trust No. 1 (the Trust) up to 17 December 2017 and was 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

Notes to the financial statements
For the year ended 30 June 2019

28. Related party transactions (continued)

The Benevolent Society Social Benefit Trust No. 1 (continued)

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 was to finance a $10,000,000 intensive family support service. The service, Resilient families, offered support to families whose children are at risk of being place in out of home care. The service were delivered by The Benevolent Society over a five year period.

During 2019 The Benevolent Society received $500,000 (2018: $2,000,000) from the Trust for the Resilient Families Service.

The Benevolent Society also received interest income of $492,800 from the investment in Social Benefit Bond when bond matured in October 2018.

The Benevolent Society Social Benefit Trust No. 1 accounts were finalised and wound up as at 31 December 2018.

(c) Transactions with Directors

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

(d) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

29. Events occurring after the reporting period

No significant events have occurred since 1 July 2019.

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

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

	2019 $'000	2018 $'000
Gross proceeds of fundraising from trusts and foundations	1,355	693
Gross proceeds of fundraising appeals and events	401	486
Total proceeds of fundraising	1,756	1,179
Total direct costs of fundraising appeals and events (see (d) below)	(66)	(228)
Net surplus from fundraising	**1,690**	**951**

Notes to the financial statements
For the year ended 30 June 2019

30. Additional information furnished under the *NSW Charitable Fundraising Act 1991* and the Regulations (continued)

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

	2019 $'000	2018 $'000
Net surplus from fundraising	(1,690)	(951)
This was applied to charitable purposes in the following manner:		
Community program expenditure	160,351	142,338
Administration expenses (i)	33,052	27,865
Total cost of community programs	193,403	170,203
Total charitable purpose expenditure	**193,403**	**170,203**
Shortfall in funds available from fundraising (ii)	**191,713**	**169,252**

(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

	2019 $'000	2018 $'000
Government grants and subsidies	102,513	87,718
Other government Subsidies	–	20,000
Client fees	38,954	27,152
Bequests and legacies	118	26
Deficit for the year	30,221	20,959
Interest, dividend and managed fund distribution revenue	4,203	11,330
Social Benefit Bond Funding	500	2,000
Corporate funding	294	427
Other Income	14,910	(360)
Shortfall in funds available from fundraising	**191,713**	**169,252**

(d) Fundraising appeals and events conducted during the financial year

During 2019 the following fundraising activities were delivered: three direct mail appeals including a summer, autumn and winter appeal; digital fundraising appeals through social media and online banner advertising and direct marketing email appeals. Bequests, corporate giving and private donations also contributed to the overall fundraising activity.

Notes to the financial statements
For the year ended 30 June 2019

30. Additional information furnished under the *NSW Charitable Fundraising Act 1991* and the Regulations (continued)

(e) Fundraising ratios

	2019 $'000	%	2018 $'000	%
Total cost of fundraising : Gross income from fundraising	66 : 1,756	4	228 : 1,179	19
Net surplus from fundraising : Gross income from fundraising	1,690 : 1,756	96	951 : 1,179	81
Total cost of community programs : Total expenditure	160,351 : 193,469	83	142,338 : 170,431	84
Total cost of community programs : Total revenue from continuing activities	160,351 : 148,338	108	142,338 : 149,832	95

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

31. Endowment investments

The Endowment assets and income are included in The Benevolent Society's consolidated Balance Sheet and consolidated statement of income and comprehensive income as follows:

	Notes	Endowment $'000	Operations $'000	Total $'000
Current assets				
Cash and cash equivalents	4	687	20,059	20,746
Trade and other receivables	5	4,215	10,865	15,080
Assets classified as held for sale	7	–	3,698	3,698
Non-current assets				
Receivables	8	–	3,366	3,366
Financial assets at fair value through profit or loss	9b	40,084	20	40,104
Other financial assets at amortised costs	10b	–	100	100
Property, plant and equipment	11	–	61,930	61,930
Intangible assets	12	–	3,106	3,106
Total assets		**44,986**	**103,144**	**148,130**
Revenue from investments	2(b)			
Interest		132	583	715
Investment distributions		2,106	20	2,126
Realised gain on sale of investments		844	–	844
Unrealised gain on sale of investments		518	–	518
Total revenue from investments		**3,600**	**603**	**4,203**

Notes to the financial statements
For the year ended 30 June 2019

32. 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.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Significant estimates and judgements

The areas involving significant estimates or judgements are:

- estimated goodwill impairment — Note 12(a); and
- estimation of defined benefit pension obligation — Note 19.

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

33. 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.

Notes to the financial statements
For the year ended 30 June 2019

33. Financial risk management (continued)

The Benevolent Society holds the following financial instruments:

	Notes	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	4	20,746	10,205
Trade and other receivables	5	15,080	12,658
Non-current receivables	8	3,366	3,366
Available-for-sale financial assets	9a	–	83,373
Financial assets at fair value through profit or loss	9b	40,104	–
Held-to-maturity investments	6 and 10a	–	1,100
Other financial assets at amortised cost	10b	100	–
Total financial assets		**79,396**	**110,702**
Financial liabilities			
Trade payables	13	2,578	1,090
Accruals	13	7,145	6,206
Other payables	13	6,829	3,231
Retirement village contributions	16	217	245
Government funding received in advance	13	10,862	8,204
Borrowings	15 and 17	1,788	355
Total financial liabilities		**29,419**	**19,331**

(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. Other financial assets at amortised cost (previously classified as held-to-maturity investments) are not exposed to price risk as they are carried at amortised cost and will be held to maturity.

(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.

Notes to the financial statements
For the year ended 30 June 2019

33. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

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:

			Fixed interest maturing in:					
	Average interest rate %	**Variable interest rate \$'000**	**1 year or less \$'000**	**1 to 5 years \$'000**	**Over 5 years \$'000**	**Non-interest bearing \$'000**	**Total 2019 \$'000**	**Total 2018 \$'000**
Financial assets								
Cash	1.20 (2018: 1.45)	18,388	–	–	–	1,671	20,059	9,902
Short term deposits	1.79 (2018: 2.48)	687	–	–	–	–	687	303
Trade and other receivables	–	–	–	–	–	12,080	12,080	9,598
Other receivables term deposits	1.20 (2018: 2.53)	3,000	–	–	–	–	3,000	3,060
Non-current term deposits	–	–	–	–	–	–	–	–
Non-current receivables	15.00 (2018: 15.00)	–	–	–	3,366	–	3,366	3,366
Other financial assets at amortised cost (2018: held-to-maturity investments)	11.57 (2018: 7.00)	100	–	–	–	–	100	1,100
Financial assets at fair value through profit and loss (2018: available-for-sale financial assets)	–	–	–	–	–	40,104	40,104	83,373
Total financial assets		22,175	–	–	3,366	53,855	79,396	110,702
Financial liabilities								
Trade payables		–	–	–	–	2,578	2,578	1,090
Accruals		–	–	–	–	7,145	7,145	6,206
Other payables		–	–	–	–	6,829	6,829	3,231
Government funding received in advance		–	–	–	–	10,862	10,862	8,204
Retirement village contributions payable		–	–	–	–	217	217	245
Borrowings	4.60	–	647	1,141	–	–	1,788	355
Total financial liabilities		–	647	1,141	–	27,631	29,419	19,331
Net financial assets		**22,175**	**(647)**	**(1,141)**	**3,366**	**26,224**	**49,977**	**91,371**

Notes to the financial statements
For the year ended 30 June 2019

33. Financial risk management (continued)

(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 collect 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:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) 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

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

Notes to the financial statements
For the year ended 30 June 2019

33. Financial risk management (continued)

(d) Fair value measurements (continued)

The following table presents The Benevolent Society's financial assets and liabilities measured and recognised at fair value at 30 June 2019 and 30 June 2018:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Available-for-sale financial assets				
Investments — managed funds	83,373	–	–	83,373
2019				
Financial assets at fair value through profit and loss				
Investments — managed funds	40,104	–	–	40,104

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.

34. Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the group's Financial Statements.

(a) Impact on the Financial Statements

As a result of the changes in the entity's accounting policies, prior year Financial Statements were not restated. As explained in note (b) below, AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening consolidated Balance Sheet on 1 July 2018.

(b) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated Financial Statements. The new accounting policies are set out in Note 35(k). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Notes to the financial statements
For the year ended 30 June 2019

34. Changes in accounting policies (continued)
(b) AASB 9 Financial Instruments (continued)

The total impact on the group's retained surplus as at 1 July 2018 is as follows:

	Notes	2018 $'000
Closing retained surplus 30 June — AASB 139		**118,664**
Reclassify investments from available-for-sale to FVPL	(i)	2,010
Adjustment to retained surplus from adoption of AASB 9 on 1 July 2018		2,010
Opening retained surplus 1 July — AASB 9		**120,674**

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — 1 July 2018	Notes	FVPL $'000	FVOCI (available for sale 2018) $'000	Held to maturity $'000	Amortised cost (receivables 2018) $'000
Closing balance 30 June 2018 — AASB 139			**83,373**	**1,100**	**14,767**
Reclassify investments from available-for-sale to FVPL	(a)	83,373	(83,373)	–	–
Reclassify investments held-to-maturity to amortised cost	(b)	–	–	(1,100)	1,100
Opening balance 1 July 2018 — AASB 9		**83,373**	**–**	**–**	**15,867**

The financial assets at amortised cost includes trade receivables and other financial assets at amortised cost, but excludes cash and cash equivalents.

The impact of these changes on the group's funds is as follows:

	Notes	Effect on Available-for-sale reserves $'000	Effect on retained surplus $'000
Opening balance — AASB 139		**2,010**	**118,664**
Reclassify investments from available-for-sale to FVPL	(a)	(2,010)	2,010
Reclassify investments held-to-maturity to amortised cost	(b)	–	–
Opening balance — AASB 9		**–**	**120,674**

Notes to the financial statements
For the year ended 30 June 2019

34. Changes in accounting policies (continued)

(b) AASB 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

(a) Reclassification from available-for-sale to FVPL

Investments in managed funds were reclassified from available-for-sale to financial assets at FVPL ($83,353,000 as at 1 July 2018). They do not meet the AASB 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of $2,010,000 were transferred from the available-for-sale financial assets reserve to retained surplus on 1 July 2018.

(b) Reclassification from held-to-maturity to amortised cost

TBS Social Benefit Bond and Newpin Social Benefit Bond that would have previously been classified as held-to-maturity are now classified at amortised cost. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 July 2018 to be recognised in the opening retained surplus. The Social Benefit's Bond in the amount of $1,000,000 matured in October 2018.

(c) Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the main categories of financial instruments of the group effected by the reclassification on adoption of AASB 9 were as follows, with any reclassifications noted:

	Measurement Category		**Carrying amount**		
Current financial assets	**Original (AASB 139)**	**New (AASB 9)**	**Original $'000**	**New $'000**	**Difference $'000**
Debt investments held to maturity	Held to maturity	Amortised cost	1,000	1,000	–
Non-current financial assets					
Investments in managed funds	Available for sale	FVPL	83,373	83,373	–
Debt investments held to maturity	Held to maturity	Amortised cost	100	100	–

Notes to the financial statements
For the year ended 30 June 2019

34. Changes in accounting policies (continued)

(b) AASB 9 Financial Instruments (continued)

(ii) Impairment of financial assets

The group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables; and
- debt investments carried at amortised cost.

The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained surplus and funds was immaterial. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This did not result in a change of the loss allowance on 1 July 2018 for trade receivables.

The loss allowance increased by $1,065,000 to $1,196,000 for trade receivables during the current reporting period.

Debt investments

Debt investments at amortised cost are considered to be low risk, and therefore the impairment is determined as 12 months expected credit losses. Applying the expected credit risk model did not result in recognition of a loss allowance on 1 July 2018 for debt investments at amortised cost and no additional increase in the allowance in the current period.

Notes to the financial statements
For the year ended 30 June 2019

35. 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 33), interest rate risk exposure (Note 33), movements in the position for impairment of receivables (Note 5), non-current receivables and receivables past due (Note 8(a)), and non-current receivables risk exposure (Note 8(b)).

(ii) Historical cost convention

The Financial Statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets), financial assets and liabilities; and
- defined benefit pensions plans — plan assets measured at fair value.

(b) Principles of consolidation

The consolidated Financial Statements comprise the Financial Statements of the parent entity, being The Benevolent Society and its controlled entity and together are referred to in this report as the group or economic entity. Subsidiaries are all entities (including structured entitles) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from irs involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All inter-group balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the group during the year, their operating results have been included from the date control was obtained or until the date control ceased. There are no outside interests in the equity or results of the controlled entities.

(c) Going concern

For the year ended 30 June 2019, the consolidated entity recorded a deficit of $30,221,000 (2018: deficit $20,959,000) and had net current liabilities of $7,865,000 (2018: $1,829,000). In the same period the consolidated entity had operating cash outflows of $24,514,000 (2018: $25,855,000). These results were mainly due to the operating losses in Disability Services.

The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the Financial Statements:

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(c) Going concern (continued)

(i) availability of the option to draw down from the endowment fund balance of $40,104,000, subject to appropriate approval of the Board;

(ii) the parent entity continues to meet its obligations from the cash flow generated from its operations; and

(iii) TBS implemented a new operating model for Benevolent Australia Disability Services on 29 July 2019, reducing the cost base for Benevolent Australia Disability Services to ensure future sustainable and efficient service delivery.

As a result of the above matters, the Directors are of the view that the consolidated entity will continue as a going concern and, therefore, will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the Financial Statements.

(d) 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.

(e) 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*.

(f) 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 25(b)).

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.

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(i) 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.

(j) Investments and other financial assets

(i) Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

(v) Accounting policies applied until 30 June 2018

The group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until 30 June 2018, the group classified its financial assets in the following categories:

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

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

Loans and receivables

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

Notes to the financial statements For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(v) Accounting policies applied until 30 June 2018 (continued)

Available-for-sale financial assets

Available-for-sale financial assets comprised mainly managed funds. The Benevolent Society took 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 were included in non-current assets unless Management intended to dispose of the investment within 12 months of the Balance Sheet date.

Held-to-maturity investments

Held-to-maturity investments were non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that Management had 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 were included in non- current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Recognition and de-recognition

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

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(vii) Impairment (continued)

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.

(viii) Trade and other receivables

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

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

The amount of the impairment loss was 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 became uncollectable in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against bad debts in the Statement of income and comprehensive income.

(k) 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.

Notes to the financial statements For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

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
Fitout, Furniture and Fittings	10 years
Equipment	6–7 years
Motor Vehicles	6–7 years
IT Hardware and Software	3–5 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.

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

(l) Intangible assets

IT development and software

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 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.

(m) 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.

(n) 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.

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(n) Provisions (continued)

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.

(o) 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.

(v) Post-employment obligations

The group operates a post-employment scheme which is a defined benefit pension plan.

Pension obligations

The liability or asset recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Notes to the financial statements
For the year ended 30 June 2019

35. Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(v) Post-employment obligations (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Accordingly the 10 year government bond yield rate is used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(p) 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.

(q) 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.

(r) Comparative Information

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Directors' Declaration 30 June 2019

In the Directors' opinion:

(a) the Financial Statements and Notes set out on pages 31-73 are in accordance with the ACNC Act 2012 including:

 (i) complying with Accounting Standards — Reduced Disclosure requirements, ACNC Act 2012, to the extend relevant *Corporations Act 2001* (Cth) 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 2019 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
Chair of the Audit, Finance and
Risk Committee Sydney
16 September 2019

Declaration by the Chair 30 June 2019

Declaration by Chair in respect of fundraising appeals

I, Tim Beresford, Chair 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.

Tim Beresford
Chair
Sydney
16 September 2019

Independent Auditor's Report

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) and its controlled entities (together the Group) 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 Group's financial position as at 30 June 2019 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 Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of changes in funds for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of income and comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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 Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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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Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the information included in the Director's Report and additional information furnished under NSW Charitable Fundraising Act 1991 and the Regulations for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we 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 the *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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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/ar3.pdf. This description forms part of our auditor's report.

Independent Auditor's Report

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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 exprss an opinion on the financial report based on our audit.

Auditor's opinion

In our opinion, in all material aspects:

a) The financial report of The Benevolent Society is prepared and associated records have been properly kept, during the financial year ended 30 June 2019, 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 2019 has been properly accounted for and applied in accordance with the above mentioned Act and Regulations.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of The Benevolent Society for the year ended 30 June 2019 included on The Benevolent Society's web site. The directors of the Company are responsible for the integrity of The Benevolent Society's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Mark Valerio
Partner

Sydney
16 September 2019

The Benevolent Society

Board

Tim Beresford (Chair)
Mike Beckerleg
Kathleen Conlon
Karen Healy
Charles Prouse
Robert Warren
Andrew Yates
Rod Young
Elaine Leong (Company Secretary)

Leadership Team

Jo Toohey (CEO)
Nick Johnson
Kirsty Nowlan
Anna Robinson
Andrew Collins
Josh Keech
Matt Gardiner (till Aug 2019)
Jo-Anne Hewitt (till June 2019)

Endowment Investment Advisory Committee

Craig Ueland (Chair)
Sally Collier
Paul Heath
Robert Warren
Justin Wood

National Office

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Our vision

A just society where all Australians can live their best life.

What we do

– Advocacy
– Specialist support to people with disability
– Support for older people and their carers
– Support for parents and children

Our values

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

Optimism. Respect. Integrity. Collaboration. Effectiveness.

Who we help

– Children
– Families
– Older people and carers
– People with disability and their carers
– People with mental health issues
– Communities

Acknowledgment

The Benevolent Society acknowledges the Traditional Owners of country throughout Australia and recognises continuing connection to land, waters and community. We pay our respects to them and their cultures, and to Elders past, present and emerging.