Annual Report 2018

Investing in our future

Contents

Our vision

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

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.

What we do

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

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.

Key themes 2018

Growth and sustainability

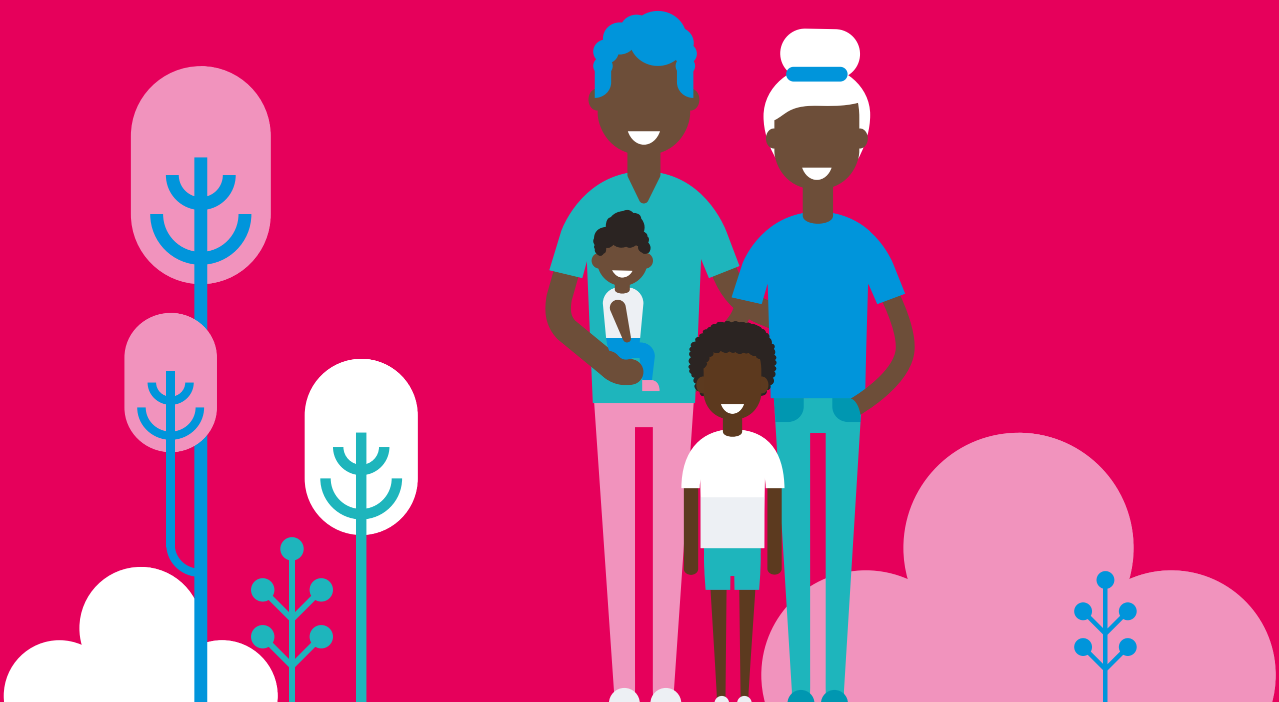
Investing in our people

Responding to changing contexts

Delivering what matters for clients

Advocacy for impact

Recommitting to reconciliation



Chairman's Message

Welcome to the Annual Report for 2018. In my final message as Chairman of The Benevolent Society Board, I welcome the opportunity to reflect on the last year and broader developments in my five year term as Chairman of Australia's oldest charity.

At the heart of the work of The Benevolent Society is a profound commitment to providing hope and support to people in their moment of need while also prosecuting the case for a more just society. The context in which we undertake this work changes but our commitment is unwavering. That does not of course mean that we stand still. Far from it. A changing context requires us to continually reinvent ourselves to deliver positive outcomes.

Over the last five years, we have met the challenge of external change head on. I was pleased to be able to appoint Jo Toohey as a highly dynamic Chief Executive Officer. Together with my fellow Board members and the executive team, we articulated a three-year strategy that set a renewed level of ambition for the organisation around client impact, social policy and financial sustainability.

We deliberately articulated an ambitious strategy in the context of the imminent changes in community services. International experience suggested that in a consumer-directed market, for-purpose organisations struggle to compete against for-profit players and consistently lose market share. In order to deliver on our vision, we chose to adapt to the new context, undertaking strategic acquisitions and engaging in new markets.

We are delivering on the promises we set out in the Strategic Plan. We said we would pursue growth across the ageing and disability sectors. The acquisition of Disability Community Support Teams from the NSW Government was a turning point. It enabled us to expand our service footprint in terms of our reach into regional and rural areas to work with a new group of clients, many of whom have multiple and complex needs. It means we will be a major player in the delivery of the National Disability Insurance Scheme (NDIS), and help realise the promise this reform offers to people with disability and the Australian community.

This is a large investment for the organisation and has involved considerable outlay – not just initially, but as we transition staff and clients to operate within this new system facing a range of teething challenges. Operating within the NDIS involves wholesale changes in the way we work, including attracting new clients and balancing professional practice against limited budgets and consumer choice. We are part way through this planned transition as reflected in this year's operating deficit. This represents our investment in creating a sustainable organisation in the long term and we have leveraged our Endowment Fund to make this possible. Over time, it is expected that this draw on the Endowment will be reimbursed from operating surpluses. It is not our goal to create profits, but we are committed to creating an efficient organisation in order to realise our vision and ensure the best outcomes for our clients.

Our strategy committed the organisation to seek systems reform for a just society. We are pursuing two national campaigns in conjunction with partners across the country. EveryAge Counts aims to tackle the scourge of ageism in Australia in order to create a society where all people are valued and connected regardless of age or frailty. Every Child aims to improve the wellbeing and safety of Australian children by ensuring that families receive the right support at the right time for children to thrive. We have also been at the forefront of engaging with industry partners to establish Alliance20, which is lobbying to address issues identified in implementing the NDIS.

It has been a privilege to chair the Board of The Benevolent Society. I would like to thank all present and past Board members, members of the Endowment Investment Advisory Committee and Elaine Leong, Group General Counsel and Company Secretary, for their support. Additionally, my heartfelt thanks go to Jo and her team of amazing staff and volunteers. I leave the position confident about the future of both the organisation and the work we do for the people and communities we serve.

Lisa Chung

Lisa Chung, Chairman

— Goal 1 —

We will be recognised for being a dynamic organisation

— Goal 2 —

To increase the safety of children in their families and communities in order to reduce the number of children in out-of-home care

— Goal 3 —

Older people and people with disability regard us as a partner of choice that helps them experience the life they never thought possible

— Goal 4 —

We are a commercially effective and sustainable organisation

CEO's Message

The Benevolent Society has never been afraid of innovation and change. I am privileged to be leading the organisation through its latest period of reinvention. Whether it is the systemic reforms in ageing and disability or across child and family services, there is a general sense that this change is the new normal.

It is our task to develop the institutional and professional resilience to succeed in this operating environment. Our strategic plan was deliberately designed to set a course through this new context. In practice this means transforming the organisation into a contemporary not-for-profit service provider that remains resolutely committed to our vision but operates in far more commercially savvy ways. We needed to put the right strategies in place to generate enough income so we can deliver the best services to our clients. We needed to operate out of the right properties in locations that are easy for clients to access with facilities that enable staff to focus and collaborate.

We committed to making hard decisions to move our organisation to meet the needs of our clients. For this reason, we implemented our workplace strategy to reduce our property footprint and create contemporary, agile working environments. We started this last year by co-locating services close to our clients and divesting properties and services that do not serve our mission. In 2018, The Benevolent Society left Paddington after more than 100 years to move to Glebe; we made the decision to close our long day care service in Woollahra and we are moving to fit-for-purpose premises in Campbelltown.

We could only get to where we are through the hard work and commitment of everyone across the organisation. The ambition we set out in our strategic plan was immense, particularly when you consider how much we have achieved in such a short timeframe. But the potential we have is even more extraordinary. I know this because I see the dedication of all of our staff demonstrated daily through their relationships with their clients and colleagues – regardless of where they work in our organisation.

Our Board has continued to be crucial to our achievements over the last year. This is in no small part due to the leadership of Lisa Chung, who has encouraged and enabled our passion for capitalising on the exciting opportunities that are available to us today. Under her watch, the Board has invested in our staff so we can achieve our goals. They have been diligent in keeping us focussed on delivering a dynamic organisation with a performance based, values driven culture that empowers our people to do their best work together.

As we step into the next chapter of The Benevolent Society – in new locations, facing new opportunities and risks, bringing new staff and clients on our journey – we will launch a new strategic plan at the end of 2018. I look forward to working with our new Chairman, Tim Beresford, as we build on these solid foundations.

Jo Toohey, Chief Executive Officer

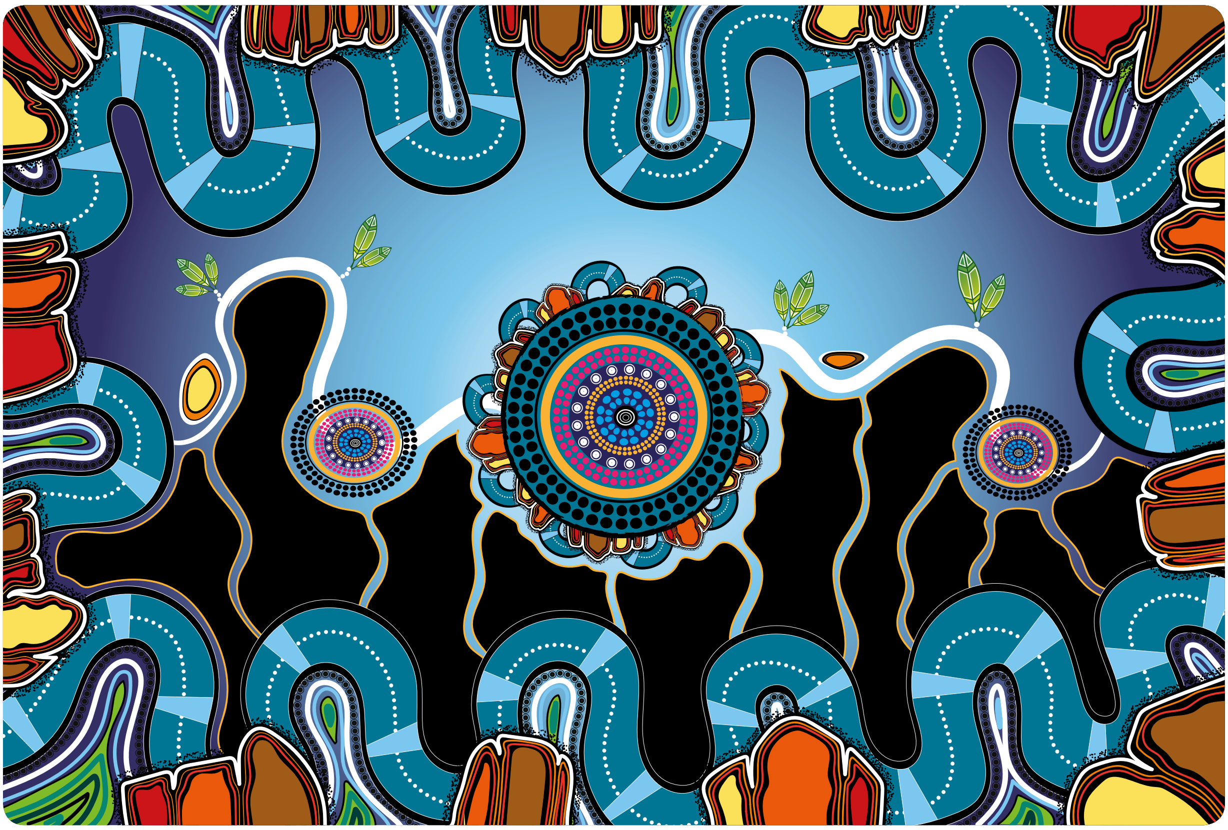
Innovate RAP

We work towards reconciliation across programs, communities and with our staff. The release of our new "Innovate" Reconciliation Action Plan (RAP) is an exciting milestone in our journey towards this goal.

The Benevolent Society worked with an external advisory group and Reconciliation Australia over many months to build on our previous RAP. By extending our reach to create new partnerships, improving our external engagement and developing a robust governance framework, our RAP aims to create the capability across the organisation to deliver real change.

We believe that, through connecting with traditional owners and local community groups, we can support meaningful relationships that promote the economic, political and social inclusion of Aboriginal and Torres Strait Islander peoples to achieve parity in life outcomes. This will be realised through meaningful, concrete activities designed to help all staff understand what reconciliation means on an individual level, demonstrating how every one of us has the ability to take ownership of reconciliation in our lives and in our communities.

As part of developing the new RAP, an artwork was commissioned from Jasmin Sarin, a proud Kamilaroi and Jerrinja woman from NSW. Jasmin's work, *Peregrination*, is infused through all of our RAP activity. We very much thank Jasmin for her involvement and the sharing of her exceptional talent and cultural heritage. Because of her, we will have a durable image symbolising the prominence of Reconciliation across The Benevolent Society.



Year in review

This has been an extraordinary year for The Benevolent Society – one that has taken everyone in the organisation into new territory.

We have increased in size, taking on new staff, new services and new clients; we have moved into new offices and metropolitan hubs; and we are working differently, as we have the tools to be mobile and flexible, meeting our clients where they need us.

Our National Office is now embedded in the community we serve. Our location in Glebe enables us to interact directly with our clients and delivers a workplace experience that is consistent with our other offices. We have invested in technology, workplace design, policies and processes across all of our locations to support our people to work in ways that provide greater mobility and flexibility, and that make sense for clients, the organisation and our staff.

We continue to extend our physical reach and service offerings, moving into South Australia and delivering Early Childhood, Early Intervention (ECEI) services in south-east Queensland. The acquisition of Inclusive Directions in South Australia, together with support of the South Australian government's Future Jobs Fund, will extend our reach. It also offers the promise that we can build on our work with children, families and older people into these new contexts.

Our Social Benefit Bond matured this year. This is a financial mechanism in which private investors raise the funds for a program and then receive a financial reward if the program achieves results. The Resilient Families Program, an innovative intensive family support service, was funded through the Bond. One of the great things about the Bond is that we are able to track our performance in a rigorous way. And the results are remarkable.

The program has managed to keep 86% of families together. Our service performed 32% better than the control group who received a 'business as usual' service from the Department of Family and Community Services.

In the Ageing portfolio, we have extended our delivery of the Assistance with Care and Housing program to central west New South Wales. This program offers support to frail older people who are on a low income and homeless or at risk of homelessness.

We invested in a new Support Centre to help our clients get the best possible service from their very first contact with us. Particular attention has been paid to training and equipping Support Centre staff to offer an outstanding customer experience from the moment clients first reach out to us. The Support Centre will also offer a highly efficient centralised information and booking service. Clients' questions or comments are now fielded directly by customer service specialists with a guaranteed response time of under 24 hours.

While delivering such important outcomes in a complex and dynamic environment, we have maintained a focus on our future, investing in research around our brand and customer service. In the midst of enormous disruption, our clients continue to value the time we take to listen, to really understand their needs and our willingness to be supportive, open and honest. Through all of this, our staff remain united in their commitment to both working with clients to improve outcomes and in their support for the social change that is at the heart of our advocacy.

$149.5m
Total revenue

38%
Growth in revenue

18%
Cost of corporate overheads

64,051
Total clients

86
Different services

>270,000 hours
Ageing & Disability client service delivery

1,501
Total staff

650
Volunteers

50%
Increase in L&D spend

$32m
Investment in new workplace environments

$2.5m
Investment in mobile workforce IT

34%
Reduction in property footprint

Our People

Our success is built on our people. Our staff and volunteers are united by a shared purpose of making a difference.

Shaping our future

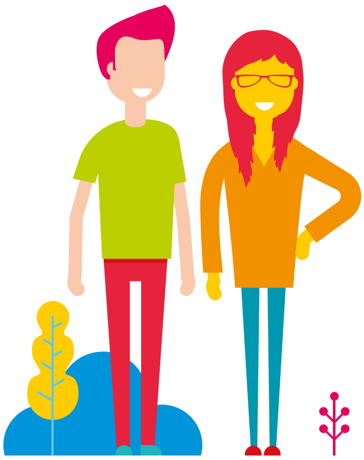
The decision to pursue growth, by introducing established teams to deliver existing services, allowed us to bring significant skills and experience into the organisation. But it is not without its challenges. We are seeking to merge cultures with different operating norms and different expectations while simultaneously moving to new locations and new ways of working. At the same time, our Disability Services teams and their clients are transitioning to the NDIS.

We have co-located staff to encourage these connections, but we recognise it can be hard for colleagues to collaborate across our program-specific teams because their work is subject to different pressures and funding mechanisms.

Our Disability Services teams have a proud history of delivering interventions in complex situations that other providers were not equipped to address. They are now operating in a system in which they are only able to deliver services authorised in an agreed NDIS plan.

There is a lot of common ground across all of our teams. Wherever they work, our people hold values that are consistent with our vision; their commitment to clients and professional practice is exceptional. Teams are keen to work together across service portfolios to deliver seamlessly for our clients.

They are often concerned about the quality of service delivery that can be provided in the time made available and the potential risk to clients from insufficient service funding. They are also grappling with new ways of working – the need to account for every hour in order to recoup the money that funds service delivery with systems that are still immature and time-consuming.



Investing in our leaders

Our task is to build a coherent culture across our service delivery, advocacy and support functions while also supporting staff to adapt to the changes happening across all of the fields in which we work. Over the last year we have made a significant investment in building leadership capability. In September 2017, we brought the team leaders and managers from across the business together to set shared expectations about how we work in The Benevolent Society.

We focussed on creating connections across teams, understanding our clients to deliver the best possible experience and building resilience for change.

Our leadership programs provide leaders with skills to support them on their journey to make a positive difference to their teams and the lives of the clients we support. Employees who complete our Management Essentials course receive a Diploma qualification. This year we launched a new program of essential leadership skills open to all our people who lead or aspire to lead a team. The first round of Team Leading Essentials has been delivered to five cohorts of more than 80 people across Sydney, Brisbane and regional NSW. This initiative reinforces who we are and what we stand for, and takes us one step closer to achieving a just society where all Australians can live their best lives.

Fostering innovation

To achieve our full potential, we invested in a program that enables front line staff to propose new ideas that they believe will improve outcomes for their clients. The Impact Innovation Fund invited client facing employees and teams to use their creativity and expertise to develop products, trial ideas, upskill and shape our future. Our frontline staff have risen to the challenge and inspired us by leading projects and focusing on solutions.

> **Each initiative we implement with our people is intended to build a culture that's true to our values and the people we serve.**

Staff members were eager to participate, with 180 suggestions put forward, all focussed on improving service delivery to our clients.

We will continue to focus on empowering our skilled and experienced staff and creating a connected working environment. United by the shared purpose of making a difference, we are working to build a dynamic organisation that is ready to navigate significant challenges – one where people are supported to show courage, succeed as leaders and live our values in everything we do.

Our work: Advocacy

Because we are focussed on delivering meaningful change for our communities, investment in advocacy has increased significantly over the last three years. That investment is now bearing fruit with two national campaigns progressing with partners across Australia.

Tackling ageism

EveryAge Counts is inspired by the principle that people should be respected, connected and valued regardless of their age or frailty. The experience for many older Australians falls well short of this ideal. Ageism – or the systematic devaluing of older people on the basis of age – affects older people by limiting their access to jobs or even appropriate healthcare in some cases. Ageism is at the heart of a public narrative around our ageing society as a threat to be managed, rather than one of the most remarkable achievements of the last century. Our clients tell us that as they get older they become invisible, which is in violation of that deeply human need to be seen and heard.

> **EveryAge Counts aims to do nothing less than shift Australian norms about ageing and older people.**

We are tackling the misconceptions that underpin ageism, raising awareness of the harm that it does to older people and seeking change in areas like the treatment of older workers and job seekers in Australia. This work is already underway with the formation of a coalition of organisations and individuals who have committed to work together on this problem under the EveryAge Counts banner, the completion of research that looks at what is driving ageism, and actively driving increased media attention to age discrimination.

Standing with every family, for every child

We all want our children to be able to grow up thriving and living full lives. But in Australia today, too many children and young people are being left behind, or coming to harm, because our systems wait too long to provide the support that children and families in difficult circumstances need.

Hardship and trauma in childhood have terrible, lifelong consequences for young people, their loved ones and our society.

> **We have to change this. The Benevolent Society, in an alliance of over 20 like-minded organisations, has formed the Every Child campaign.**

Every Child aims to make sure every child can thrive and all families can gain the support, services and skills they need, when they need it.

We will do this by raising large-scale public support for putting children's wellbeing at the top of the political agenda. We will demand the allocation of the much-needed funding to make sure all families can get the right support at the right time.

And we will call on governments to set national targets focussed on improving children's lives. As a society, we have a responsibility to make sure every child can grow and thrive in supportive and caring families and communities.

1 in 4
Australians will be 65+ by 2064

26%
older Australians experiencing income poverty

54%
want workplace ageism addressed

47,000
kids are in out-of-home care in Australia

3x
rate of kids removed than 30 years ago

<18%
child protection funding spent on supporting families

Our work: Children and Families

We are committed to reducing the number of children in out-of-home care.

While we recognise that some children need to be removed if their parents are unable to provide a safe and nurturing home, we also know that children are generally better off with their parents.

> **Across Australia, the family support system is not supporting kids well because it fails to provide families with the right support at the right time.**

The Benevolent Society runs Early Years Centres in Queensland where the aim is to support children and families in that critical first six years – from conception through to school. This year our Browns Plains centre introduced its new Maternity Hub to provide a community-based midwifery service to pregnant women. The hub ensures the health of mum and baby throughout pregnancy and after the birth. It is open to all mums in the community, and hopes to reach those who may not have had access to services previously, introducing them to the supports that are available once their children have been born.

One of the issues that we are often addressing in our family support work is domestic and family violence. The Campbelltown Centre for Women's, Children's and Family Health supports women to engage with the police and hospitals, as well as any housing, counselling, advocacy and support services they need. As Linda Griffiths, the Centre's manager, says: "There is help. There are services, there is counselling, there is somewhere to go and someone who cares. They do not have to remain in a relationship that is toxic or cruel."

The Centre's commitment to its community was formally recognised this year when it was nominated as a Finalist in the Quality Innovation and Performance Excellence Awards, which recognises a community organisation's commitment to quality improvement.

A united front

In the case where children need to be removed from their parents, our first preference is to place them with their other family members – their grandparents, aunts or uncles.

When Kerry's grandchildren, L and H, came to live with her because their parents couldn't care for them properly, it was important Kerry felt supported to take on these extra responsibilities.

The family joined the Children and Young Families (CYF) Intensive Family Support Program where they worked together for 18 months. During that time Kerry got the emotional, practical and parental support she needed to navigate her new role as long-term carer.

She also received support from Faith at the Volunteer Family Connect program. Faith visited weekly to spend time with H, while Kerry took care of household duties.

> **Kerry believes their success is down to everyone working towards a common goal. She urges others to "Ask for The Benevolent Society. They are the best people. They take the pressure off your shoulders and don't leave you to do it all alone."**

Our work: Older Australians

We know that supporting people to stay in their own home is critical to their wellbeing. We work with older Australians and their carers to help people stay in the homes they choose.

Recent dramatic reforms to the ageing sector, particularly to in-home care, mean that clients will now have more choice and control over the services they use and the money they spend for those services. As with other sectors, both in Australia and overseas, this kind of reform has resulted in an explosion of the number of organisations providing services to older people.

> **There are now the same number of providers in NSW as there were nationally in the year before the move to the open market.**

This places an obligation on The Benevolent Society to be as efficient as possible so that we can offer our services at the right price point. With this in mind, we have reshaped our service delivery model to ensure we are offering the greatest value to clients. Our work this year has focused on ensuring our programs deliver an extremely personalised, valuable level of care to each of our clients.

As it is our goal to be guided by our customers, we have invested in research to hear directly from clients and potential clients. It's very pleasing that, while this tells us emphatically that our clients are very happy with the service we provide, what they appreciate the most is that our staff listen, take the time to understand them and respond to what they need.

Connecting through cooking

Cooking for One or Two is a five-session cooking skills program that teaches individuals how to cook quick, simple, tasty and nutritious two-course meals. Rather than demonstrate how to cook, participants develop their cooking skills in a supportive environment.

At the end of the session, the group sits down to enjoy a meal together. The benefits for older Australians are that it improves nutrition and supports healthy ageing. Crucially, it also provides social engagement at a time when many are disconnected from their community.

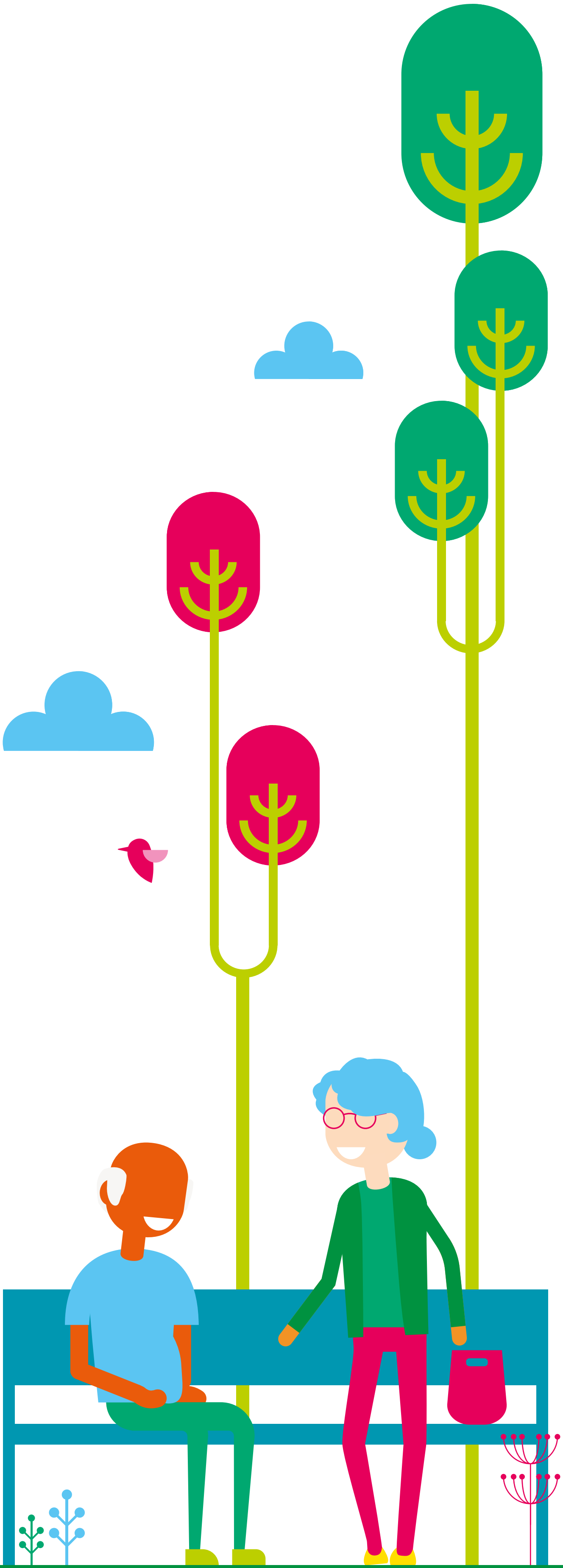
A home away from home

Jahnavi and her husband Siva moved to Australia from Sri Lanka 30 years ago. They bought a house, raised their kids and worked hard. They were ready to enjoy retirement when Siva developed physical issues that restricted his mobility.

Their daughter, who works at an aged care facility, recommended her parents get in touch with The Benevolent Society. "I heard good things about The Benevolent Society and their clients were happy, so I suggested to Mum that she give them a call," Vasa says.

A team of care workers were appointed who "were so helpful and tactful," said Jahnavi. "It's difficult for Siva to accept help or get close to people, but he really liked The Benevolent Society." When Siva's mild dementia intensified, it became too difficult for Jahnavi to manage at home, so the family made the difficult decision to move him to a nearby aged care facility. Jahnavi continues to get support from The Benevolent Society to help her shop, clean and get around.

"Everyone is so wonderful, polite and dedicated," Jahnavi tells us. Three of Siva's four support staff are now caring for Jahnavi, so they are familiar with her home, routines and preferences. The team proactively identify what she needs and personalise her package as those needs change. Whether it's supporting her mobility, fixing things around the home or assisting her personal care, Jahnavi's care team make sure she feels confidently supported to continue living at home.



Our work: Disability

We want people with disability to have choice and control over the supports they need to live their best life and our staff work every day to make this real in our clients' lives.

Change on the scale of the NDIS is not without its challenges for clients, service providers and governments. One of the challenges we have been dealing with this year is the lack of clarity about where the NDIS ends and health services begin.

Since the introduction of the scheme, there has been ongoing tension over funding between the State and Federal Governments.

It becomes confusing for our clients to know what types of services are included under the NDIS and what remains the responsibility of the state health system. For example, there has been discussion about whether mealtime support for people with dysphagia (a condition where people find it difficult to swallow) is covered by the NDIS or is the responsibility of the state health system. While the decision is still pending about its inclusion in the NDIS, some planners are not including dysphagia in NDIS plans.

We have partnered with Speech Pathology Australia to point out that funding dysphagia support through the NDIS would mean it can be delivered in line with the principles for therapeutic best practice and clients can choose the level of support they need.

Making the complex simple

Our Behaviour Support Specialists are by far the largest and most experienced team in Australia. They are sought after not only for direct client work but for training and consultancy services to other disability service providers and mainstream agencies such as education and justice.

The acquisition of Inclusive Directions in South Australia has further strengthened this position, extending our reach into South Australia, and expanding our reputation and capability in the area of paediatric behaviour support.

We continue to focus on supporting adults with intellectual disabilities and related conditions, but we are receiving increased referrals of younger children for therapy and behaviour support. Many of our clients have multiple disabilities, often in conjunction with complex social factors.

"

The presence of severe and persistent challenging behaviour that results in exclusion from regular social supports can compound any disability diagnosis and requires specialist interventions such as those our team can provide.

Support in life's transitions

We all go through times in our lives when we might need a bit of extra support moving from one stage to the next.

When Dane finished high school, he and his mother Jo were worried about what Dane's day might look like and how he might achieve the level of independence needed for life as a young adult. Jo had always supported Dane's day-to-day living but she wanted to see him get more involved in the activities that other young men enjoyed.

When Mellisa became Dane's support coordinator, they had an instant connection that evolved over time into an important relationship between Mellisa, Dane and his mother. By facilitating Dane's involvement in activities like surfing and skating, Mellisa and Jo saw Dane learn a lot of new skills which set him on the path to becoming as independent as he could be.

With the vital support services provided through The Benevolent Society, Dane has become a vibrant member of the community, getting himself out there and doing things that make both Jo and Mellisa glow with pride.

> **Jo always knew Dane could do it, but she didn't know how until Mellisa came along to help.**

Financial Report

Directors' report
For the year ended 30 June 2018

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 2018.

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 (Chairman)
Andrew Yates
(Chairman of the Audit, Finance and Risk Committee)
Kathleen Conlon
(Chairman of the People and Culture Committee)
Robert Warren
Tim Beresford (Deputy Chairman)
Karen Healy
Mike Beckerleg
Charles Prouse
(leave of absence since 17 July 2017,
returned as observer from 30 July 2018)
Rod Young

All Directors are members of The Benevolent Society (see Note 22(a) on page 48 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 1,501 people, the equivalent of 1,203 full time equivalent staff throughout New South Wales, ACT, Queensland and South Australia. Approximately 650 volunteers are involved in our advocacy, service delivery and supporting our corporate functions. We also continue to partner with a wide range of for-purpose organisations, academic bodies and government agencies.

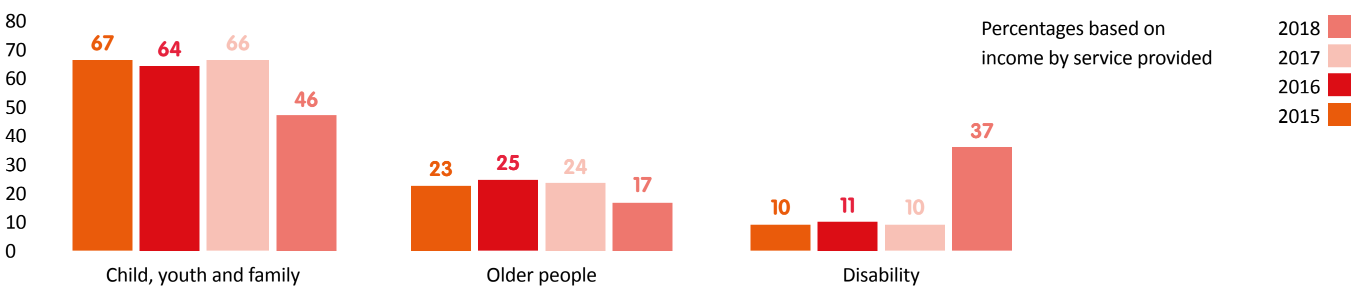
Our strategy and significant changes

Our Strategic Plan 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.

As we come to the end of the third year of our Strategic Plan, we can look back and know the goals and strategies that we set ourselves, are coming to fruition.

In choosing to pursue the changes needed to respond to the new market-based environment, double our revenue and grow our geographic footprint in a short period, we chose to

Figure 1: Principal activities (%)



adopt a higher risk profile for the organisation over the short term. We knew that to grow at such a rate through mergers and acquisitions would require investment.

The investments required over the last 12 months (reflected in these financial statements) will ensure the long-term future and sustainability of The Benevolent Society and enable us to pursue our vision across new geographies and with new client groups. A deeper and wider service footprint also enables us to engage with the most complex clients and advocate more effectively for systems reforms which will improve outcomes for generations to come. The commitment to develop our people, update our property and IT infrastructure and increase our capability in business development are made possible because we have a highly capable management team and access to our Endowment Fund to support the required internal investments.

The two main areas of investment that have had the greatest impact on the financial position of The Benevolent Society are:
a) the acquisition from the NSW Government of the statewide Disability Community Support team; and
b) the implementation of our workplace and property strategy.

Acquisition

Completion of the acquisition of the disability teams from the NSW Government occurred on 28 July 2018. The transfer included 689 employees specialising mainly in individual therapy, support coordination and behavioural support, working with people with intellectual and complex disabilities across NSW.

This has given The Benevolent Society:

- wider reach through expansion into 24 new communities across NSW, many in rural and remote areas; and
- a highly regarded workforce that has made The Benevolent Society the largest provider of specialist community based disability support services for people with complex disabilities in Australia.

We knew there would be a need to build the ongoing revenue required to support the work and workforce. The primary source of funding is through the National Disability Insurance Scheme, which is still in the process of being rolled out across Australia and has yet to deliver predictable and functional operating rhythm for both participants and providers.

While we are building this revenue base, we expect to continue to experience operational losses (albeit diminishing) for the first two years. This is reflected in our financial statements for the current year. These losses were anticipated and factored into our business case and strategic planning.

In the meantime, we are already experiencing the competitive advantage gained through the acquisition, evidenced by our recent growth into South Australia with the strategically aligned acquisition of Inclusive Directions and the support of the South Australian Government to establish a presence in rural and regional communities.

Workplace and property strategy

A key component of our Strategic Plan was to implement our new workplace and property strategy. The outcomes we are seeking to achieve through this are:

- to be physically present in the communities where we intend to remain for the long term;
- the reduction of our property occupation footprint by 30%;
- to accommodate future growth; and
- the introduction of an agile working environment that is supported by technology and innovative mobile solutions, to improve employee experience and better service our clients and their communities.

The acquisition of disability services required the organisation to establish 24 new sites across NSW. We took up this unique opportunity to implement the property strategy over a much shorter timeframe than originally proposed. It has enabled us to reduce our property footprint by 34%, rollout our mobility strategy for staff, and implement agile work environments in every location across the organisation.

A key component of this strategy was to assess the location and ongoing suitability of our National Office, which had been situated in Paddington for many years. The Benevolent Society has always sought to be located in communities where it can have the most impact, and the time was right for us to relocate our National Office to a community on the outer fringe of the CBD of Sydney. The decision to purchase the new office in Glebe gives financial security to the organisation in the long term by protecting it from increases in market leasing costs and/through acquiring an asset that will continue to appreciate in value.

The significant investment required for our property strategy has been funded through our Endowment and the divestment of surplus properties, including Paddington. These divestments will continue through into the next year.

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;

- employee engagement via the Gallup Q12 survey;
- 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

Review of operations

A review of operations of The Benevolent Society during the financial year shows a 38% growth in revenue as a result of the acquisition of the disability service operations from the NSW State Government.

Expenses for the year increased by 56% due to increased employee costs related to the transferred employees and additional corporate supports and infrastructure costs required for larger operations. However, the organisation achieved its strategic target of reducing corporate overheads to 18% of revenue.

Following the transition of the disability clinical services in the first half of the financial year, the focus has been on building a sustainable revenue base. We are already seeing a significant improvement in key areas and these are reflected in:

a) a 75% increase of client numbers per month;
b) billable activity of the transferred employees increasing from 18% to 42%; and
c) the development of parallel funding streams, including contracts with corrective services and disability employment providers.

Operating results

The deficit of The Benevolent Society amounted to $20,959,000 (2017: deficit of $1,086,000), funded through drawing on the Endowment Fund. The intent is that disability services will ultimately become cash flow positive, which will rebuild the Endowment as well as fund social investments with the capacity to produce lasting change.

Matters subsequent to the end of the financial year

Sale of properties

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.

Acquisition of property

The Benevolent Society purchased the new location for the national office at 2E Wentworth Park Rd, Glebe, NSW on 31 August 2018 for $34,910,000.

Acquisition of business

On 1 July 2018, The Benevolent Society became the sole member of Inclusive Directions Incorporated in South Australia. The Benevolent Society paid no consideration for this acquisition. At the date of signing these financial statements, the fair value of this acquisition had not been determined and the financial statements of Inclusive Directions Incorporated for the year ended 30 June 2018 had not been signed. As reported in its 2017 signed financial statements, the net asset position for Inclusive Directions Incorporated as at 30 June 2017 was $1,886,000, and revenue for the year end was $2,058,000.

Figure 2: Our revenue (Millions)

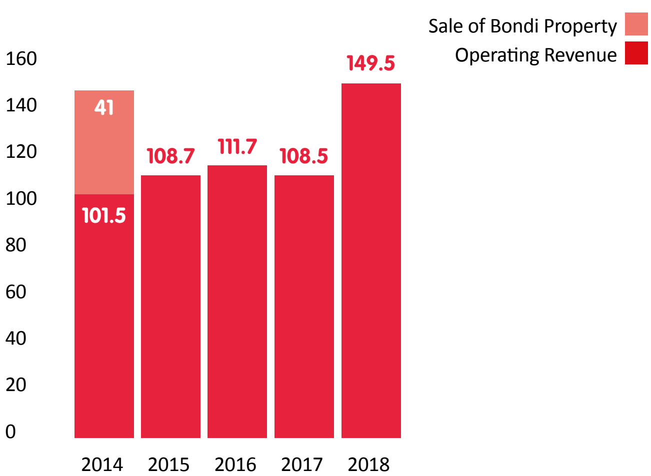
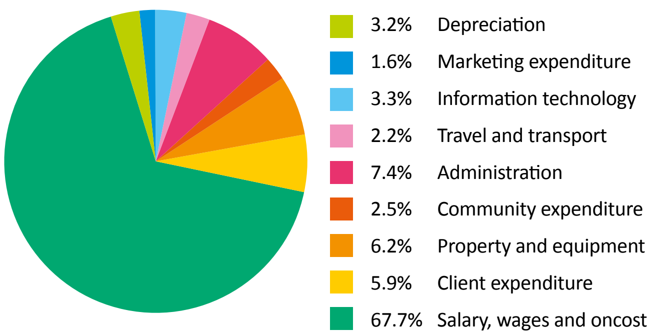


Figure 3: How we spent our funds



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

Directors' meetings

The table in *Figure 5* also shows the number of Board and Board sub-committee meetings held while the person was a Director, during the year ended 30 June 2018, 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.

Insurance of officers

During the financial year, The Benevolent Society paid premiums of $26,450 (2017: $26,450) 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.

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*.

Figure 4: Composition of the Board

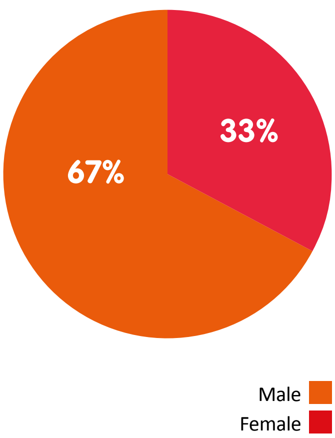


Figure 5: Directors' meetings

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

Other assurance services

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

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

In accordance with advice received from the Audit, Finance and Risk Committee, the Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditors; 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 24, as required under section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*.

Rounding of amounts

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

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

Auditor

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

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

Lisa Chung

Lisa Chung, Chairman

Sydney, 2 October 2018

Figure 6: Assurance and other services provided by PricewaterhouseCoopers

	2018 $	2017 $
1. Audit services		
PricewaterhouseCoopers: Audit of financial reports and other audit work under the *Australian Charities and Not-for-profits Commission Act 2012*	98,860	71,000
Total remuneration for audit services	**98,860**	**71,000**
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	3,009,000
Total remuneration for other services	**675,000**	**3,009,000**
Total remuneration to PricewaterhouseCoopers	**797,260**	**3,103,400**

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of The Benevolent Society for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

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

Mark Valerio
Partner
PricewaterhouseCoopers

Sydney
2 October 2018

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One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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Endowment report
For the year ended 30 June 2018

Governance

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

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

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

Endowment Investment Advisory Committee Members

The Committee Members are appointed by the Board.

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

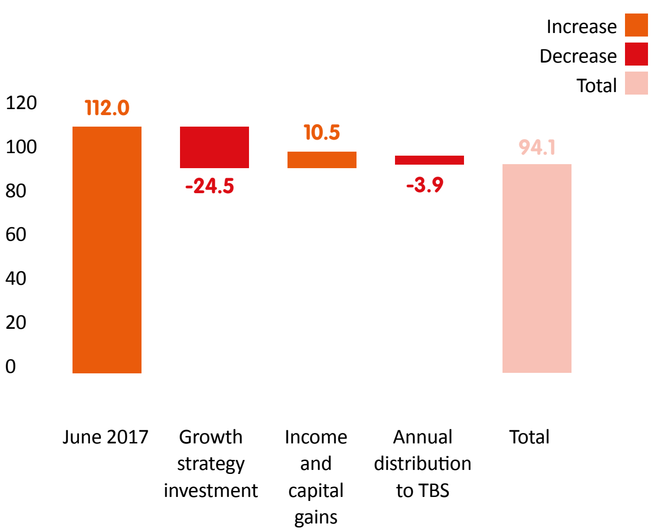
Paul Heath SF Fin, B Com
(Appointed March 2009)

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

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

Sally Collier BEc, GAICD
(Appointed September 2016)

Endowment fund value movement



Overall Endowment structure

After receiving advice from the Committee, the Board adopts a Strategic Asset Allocation that governs the overall diversification of the Endowment. Given the broader organisational strategic initiatives noted in the previous section and their impact on Endowment cash flows and asset levels both preceding and subsequent to the Financial Year End, the Committee recommended, and the Board agreed, that a more conservative asset allocation posture was warranted at this time.

During the year, the Endowment funded $24.5 million of growth initiatives related to The Benevolent Society's Disability Services acquisition, in addition to $3.9 million in regular quarterly distributions. These disbursements exceeded the $10.5 million in income and capital gains earned during the year, resulting in Endowment assets falling to $94.1 million, as shown in the chart below.

After the close of the Financial Year, The Benevolent Society also completed the sale of its Paddington headquarters and the purchase of its new Glebe headquarters (both in August 2018) requiring a further net cash outflow.

The Strategic Asset Allocation as at 30 June 2017, current Strategic Asset Allocation, and Actual Asset Allocation as at 30 June 2018 are shown in *Figures 7* and *8* below. Noteworthy changes to the Endowment's asset allocation during the year include:

Figure 7: Strategic and actual allocations

	Strategic 2017 %	Current strategic %	Actual 2018 %
Equities & Property	**47**	**45**	**44**
Domestic Equities	22	21	19
International Equities (Unhedged)	14	17	14
International Equities (Hedged)	8	3	3
Emerging Markets		4	4
Domestic Direct Property	3	0	4
Bonds & cash	**33**	**39**	**37**
Domestic Inflation Linked Bonds	15	20	16
Domestic Fixed Income	5	6	5
Domestic cash	13	13	16
Social Impact	**–**	**1**	**1**
Real Return Strategies	**20**	**15**	**18**
	100	**100**	**100**

- In December 2017, Emerging Market equities were added with a $3.5m investment in the Russell Emerging Markets Fund;
- Also in December 2017, following prior investments made by The Benevolent Society directly, the Endowment made its first Impact Investment, a $1.5m commitment to Social Venture Australia's Diversified Impact Fund, $600,000 of which had been drawn down by 30 June 2018; and
- Towards the Financial Year End, when the key operational strategic initiatives noted earlier were approved and in response to increased liquidity needs, risk exposures were deliberately reduced and liquidity increased (as highlighted in *Figures 7* and *8*).

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

Consistent with the long-term real return target and, disbursement rate of 3.0%, a disbursement of $3.1m has been recommended for The Benevolent Society's programs (2018: $3.9m).

Investment managers

Under advice from the Committee, the Board appoints investment managers to manage the Endowment's investments. As at 30 June 2018 the following key managers invested funds on behalf of the Endowment: (See *Figure 9* below).

Cash deposits and direct property are managed by The Benevolent Society and, together with Social Impact investments, make up the balance of the total funds invested.

Investment performance and distributions

Aided by continued supportive local and global financial markets, the Endowment returned 7.2% (2017: 9.4%), which represents a real return after inflation of 5.2%. The graphs below (*Figures 10* and *11* on next page) relate to total and real returns over the ten years to 2018. Up to 2011, the portfolio included business assets used for operating The Benevolent Society's programs.

The long-term objective of the Endowment is to maintain capital in real terms (that is, after taking into account inflation and regular disbursements paid). This year has been atypical for the Endowment as The Benevolent Society's Disability Services strategy required investment considerably above normal levels. This is expected to become cash flow positive and replenish the Endowment in future years.

In "business as usual" years with strong investment markets and favourable economic conditions, the Endowment disburses less than it earns and grows the Endowment to buffer the principal against economic downturn.

Figure 8: Actual asset allocation

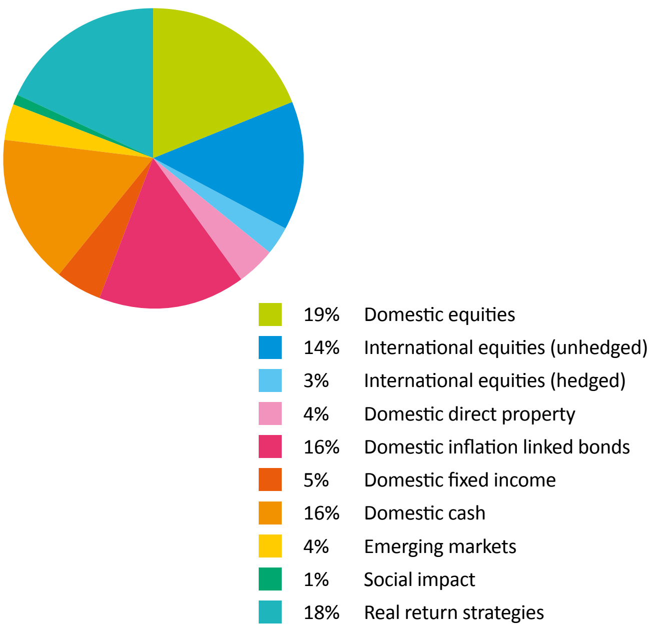


Figure 9: Investment managers

	Mandate	2017 %	2018 %
Antares Fixed Income	Enhanced cash and inflation linked bonds	24	29
MLC Investments Limited	International equity and Real Return strategies	17	18
Russell Investments	Australian bonds and, from 2016, Australian equities, Emerging Equities and Real Return Strategies	28	32
BlackRock Investment Management (Australia) Limited	Passive international equity Passive Australian equity	22	13

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

The Endowment has generated an average real return over the past ten-year period of 5.2% p.a.

Current strategy

The Endowment enters the 2019 fiscal year with a relatively conservative asset allocation posture given funding needs related to the acquisition of The Benevolent Society's National Headquarters building in Glebe, which settled in late August, as well as the expected need to continue funding strategic initiatives beyond the normal level during the upcoming year.

It is the Committee's view that this conservative posture is also warranted by current capital market conditions, following an extended period of supportive monetary and fiscal policy and buoyant market conditions globally.

With the $35.4 million investment in the Glebe headquarters funded entirely by the sale of the previous Paddington headquarters ($18.6 million) and the Endowment, the Committee recommended that the Endowment's two direct property assets be put up for sale to improve overall diversification. It is the view of the Committee, ratified by the Board, that The Benevolent Society will have sufficient exposure to direct property through its ownership of its Glebe National Headquarters so that no additional strategic exposure to property is needed in the Endowment. This sale process is currently under way.

How we utilised our Endowment funding

During the 2018 financial year The Benevolent Society Endowment provided funding of $24.5 million towards the execution of The Benevolent Society's growth strategy and was used to complete the transition of Disability Services from the NSW Government. In addition, the Endowment provided funding of $3.9m to support The Benevolent Society's broader strategic agenda, which included:

- Our national influence through our EveryAge Counts; campaign and our Every Child campaign;
- Research and evaluation; and
- Innovation fund.

Future plans

We will continue to use disbursements from the Endowment to fund strategically important initiatives consistent with our vision of helping Australia become a more just society where all Australians can live their best life. In that context, we will focus on funding new initiatives that have the capacity to introduce lasting social change.

The Endowment assets and income are included in the Balance sheet and Statement of Income and comprehensive income (see *Note 31* for more details).

Figure 10: Total returns (%)

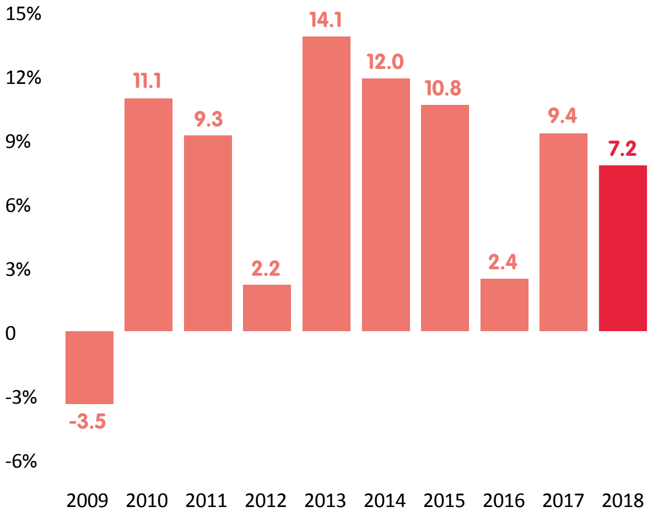
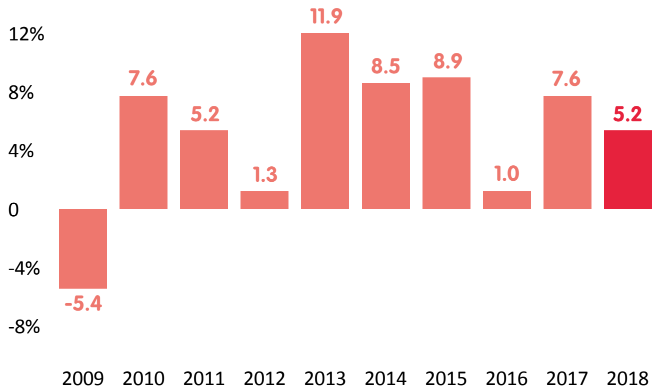


Figure 11: Real returns of the Endowment fund (%)



Consolidated statement of income and comprehensive income

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Revenue from operating activities	2	149,832	106,003
Other income / (loss)	2	(360)	2,451
Total revenue		**149,472**	**108,454**
Expenses			
Community services expenses		(132,265)	(79,693)
Events, marketing and communications expenses		(3,796)	(2,331)
Social initiatives expenses		(2,380)	(2,659)
Infrastructure and investment expenses		(31,990)	(24,857)
Total expenses from continuing operations	3(a)	(170,431)	(109,540)
Deficit before income tax		**(20,959)**	**(1,086)**
Income tax expense	34(e)	–	–
Deficit from continuing operations		**(20,959)**	**(1,086)**
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)	6,054
Items that will not be reclassified to Statement of Income			
Actuarial gains on employee benefit obligations	19(i)	1,353	–
Other comprehensive (loss) / income for the year		**(404)**	**6,054**
Total comprehensive (loss) / income for the year		**(21,363)**	**4,968**

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

Consolidated balance sheet
As at 30 June 2018

	Notes	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	4	10,205	20,443
Trade and other receivables	5	12,658	10,250
Held-to-maturity investments	6	1,000	–
Assets classified as held for sale	7	14,731	–
Total current assets		38,594	30,693
Non-current assets			
Receivables	8	3,366	3,366
Available-for-sale financial assets	9	83,373	102,926
Held-to-maturity investments	10	100	1,100
Property, plant and equipment	11	35,928	36,184
Intangible assets	12	8,558	2,415
Total non-current assets		131,325	145,991
Total assets		**169,919**	**176,684**
Liabilities			
Current liabilities			
Trade and other payables	13	18,731	24,971
Employee benefit obligations	14	21,256	6,284
Borrowings	15	191	–
Refundable loans	16	245	245
Total current liabilities		40,423	31,500
Non-current liabilities			
Borrowings	17	164	–
Provisions	18	789	789
Employee benefit obligations	19	6,301	790
Total non-current liabilities		7,254	1,579
Total liabilities		**47,677**	**33,079**
Net assets		**122,242**	**143,605**
The Benevolent Society Funds			
Available-for-sale financial assets reserve	20(a)	2,010	3,767
Restricted grants reserve	20(b)	215	215
Retained surplus	20(c)	118,664	139,623
Defined benefit reserve	20(d)	1,353	–
Total funds		**122,242**	**143,605**

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

Consolidated statement of changes in funds
For the year ended 30 June 2018

	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 2016		**215**	**(2,287)**	**–**	**140,709**	**138,637**
Deficit for the year	20(c)	–	–	–	(1,086)	(1,086)
Other comprehensive income / (loss) for the year		–	6,054	–	–	6,054
Balance as at 30 June 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		**215**	**2,010**	**1,353**	**118,664**	**122,242**

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 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from government funding and clients (inclusive of goods and services tax)		155,034	107,344
Payments to suppliers and employees (inclusive of goods and services tax)		(180,889)	(107,444)
Net cash (outflow) from operating activities		**(25,855)**	**(100)**
Cash flows from investing activities			
Payments for property, plant and equipment		(29,517)	(10,611)
Payments for intangible assets		(2,246)	(101)
Receipts from acquisition of subsidiary, net of cash acquired	21	22,100	–
Payments for purchase of investments		(7,719)	(7,628)
Distributions received on available-for-sale financial assets		1,748	4,277
Proceeds from sale of investments		29,795	13,608
Proceeds from sale of property, plant and equipment		1,101	1,814
Proceeds from repayment of loans		–	3,366
Net cash inflow from investing activities		**15,262**	**4,725**
Cash flows from financing activities			
Proceeds from borrowings		355	–
Repayment of bonds and deposits		–	(73)
Net cash (outflow) from financing activities		**355**	**(73)**
Net increase in cash and cash equivalents		(10,238)	4,552
Cash and cash equivalents at the beginning of the financial year		20,443	15,891
Cash and cash equivalents at end of year	**4**	**10,205**	**20,443**

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 2018

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

	2018 $'000	2017 $'000
(a) From operations		
Government funding	87,718	87,863
Other government subsidies	20,000	–
Client fees and charges	27,152	5,352
Bequests and legacies	26	1,908
Social Benefit Bond Funding	2,000	2,000
Corporate funding	427	394
Trusts and foundations (refer to note 30(a))	693	715
Fundraising appeals and events (refer to note 30(a))	486	856
Revenue from operations	**138,502**	**99,088**
(b) From investments		
Interest	1,501	1,587
Investment distributions	5,549	5,525
Realised gain / (loss) on sale of investments	4,280	(197)
Revenue from investments	**11,330**	**6,915**
Total revenue from continuing operations	**149,832**	**106,003**
(c) Other income / (loss)		
Rent	505	492
Reimbursements	163	143
Sale of goods	5	3
Net profit / (loss) on sale of property, plant & equipment	(1,033)	1,813
Total other income / (loss)	**(360)**	**2,451**

3. Expenses

	2018 $'000	2017 $'000
(a) Expenses from operations		
Salaries and wages	115,266	72,285
Administration expenses	12,547	4,805
Information technology	5,606	2,849
Marketing, events and communications	2,723	966
Travel and transport	3,828	2,571
Client and brokerage expenditure	10,136	11,122
Community partners	4,328	4,166
Property and equipment maintenance	10,585	7,912
Depreciation and amortisation	5,412	2,864
Total expenses from operations	**170,431**	**109,540**
(b) Deficit before income tax includes the following specific expenses		
Depreciation and amortisation		
Buildings	219	220
IT Software	1,039	323
Plant and equipment	4,154	2,321
Total depreciation and amortisation	**5,412**	**2,864**
Rental expenses relating to operating leases		
Lease payments	7,015	5,204
Net transfers to provisions		
Employee entitlements	(4,386)	1,389
Receivables written off during the year as uncollectable	7	36

4. Current assets: cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	9,902	18,121
Short term deposits – Endowment	303	2,322
Total cash and cash equivalents	**10,205**	**20,443**

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

The Benevolent Society holds working capital cash reserves of $9,833,000 (2017: $18,121,000). This includes retirement village contributions held of $245,000 (2017: $245,000).

a) Cash at bank and on hand

These are interest bearing cheque accounts with an average interest rate of 0.13% (2017: 0.17%) and at call accounts with a rate of 1.45% (2017: 1.45% and 1.70%).

b) Short term deposits

Deposits are with the Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and National Australia Bank Limited. Deposit rates are between 2.48% and 2.53% (2017: 2.10% and 2.68%). 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 cash at the end of the Financial Year as shown in the Statement of cash flows as follows:

	2018 $'000	2017 $'000
Cash and cash equivalents balance as above	10,205	20,443
Balances as per Cash flow Statement	10,205	20,443

5. Current assets: trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	4,273	4,179
Term deposits - Endowment	3,060	4,567
Provision for impairment of receivables	(130)	(34)
Investment Income receivable	4,198	397
Subtotal Trade receivables	11,401	9,109
Prepayments	1,257	1,141
Total Trade and other receivables	**12,658**	**10,250**

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

	2018 $'000	2017 $'000
At 1 July 2017	34	13
Provision for write-off recognised during the year	195	21
Receivables written off during the year as uncollectable	(7)	(36)
Other	(91)	36
At 30 June 2018	**131**	**34**

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

6. Current assets: held-to-maturity investments

	2018 $'000	2017 $'000
The Benevolent Society Social Benefit Bond	1,000	–
	1,000	**–**

a) Social Benefit Bonds

The carrying amount of The Benevolent Society Social Benefit Bond is $1,000,000 and it was reclassified to current asset as the maturity of the bond is in October 2018. Accordingly, we have accrued $607,000 interest to be received when the bond is matured.

b) Impairment and risk exposure

Refer to Note 10(b).

7. Current assets: assets classified as held for sale

	2018 $'000	2017 $'000
Land	9,388	–
Buildings	7,511	–
Plant and equipment	1,758	–
Total cost	**18,657**	**–**
Land	–	–
Buildings	(2,962)	–
Plant and equipment	(964)	–
Total accumulated depreciation	**(3,926)**	**–**
Net book value	**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. The sale of sites located at 92-94 Oxford St Ingleburn, NSW, 27 Nelson St Woollahra, NSW and 288-292 Queen St Campbelltown, NSW are expected to be sold by way of private treaty and completed before 30 June 2019. 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.

The Benevolent Society's national office at 188 Oxford St, Paddington, NSW was sold on 17 August 2018 (Refer to Note 29 (a)), is classified as held for sale at balance sheet date.

8. Non-current assets: receivables

	2018 $'000	2017 $'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.

9. Non-current assets: other financial assets

	2018 $'000	2017 $'000
Other financial assets available-for-sale		
Investments at the end of the year were recognised at fair value:		
Managed funds	83,353	102,906
Unlisted Shares carried at cost	20	20
	83,373	**102,926**

a) Managed funds

The managed funds hold assets in line with The Benevolent Society's approved Strategic Asset Allocation. A disbursement of $3,930,000 (2017: $4,060,000) was approved during the year to fund The Benevolent Society's social initiatives. A detailed description of how the disbursement was spent is shown on page 27 of the Endowment Report.

b) Investments in related parties

Refer to Note 28 for information on available-for-sale financial assets held with related parties.

c) Unlisted shares

Unlisted shares are held in Community 21 (4,000 shares at $5.00 each). These are carried at cost and are classified as other non-current assets as they are held for long-term investment purposes.

d) Non-current assets pledged as security

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

e) Impairment and risk exposure

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

Managed funds had revaluation gains of $2,523,000 (2017: revaluation gains of $5,857,000). These were taken to reserves in equity, refer to Note 20(a). Realised gains of $4,280,000 (2017: realised loss of $197,000) due to the sale of investments have been transferred from reserves to the Statement of income.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk, refer to Note 33.

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

	2018 $'000	2017 $'000
Newpin Social Benefit Bond	100	100
The Benevolent Society Social Benefit Bond	–	1,000
	100	**1,100**

a) Social Benefit Bonds

The carrying amount of the investment in the Newpin Social Benefit Bond is $100,000 (2017: $100,000) and The Benevolent Society Social Benefit Bond is zero as it was reclassified to current asset as the maturity of the bond is in October 2018 (2017: $1,000,000).

b) Impairment and risk exposure

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

The Benevolent Society Social Benefit Bond consists of:

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

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

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

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

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

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 2017	16,365	9,388	8,778	13,401	47,932
Additions	20,091	–	–	958	21,049
Reclassification	(28,679)	–	–	28,612	(67)
Disposals	(94)	–	–	(4,692)	(4,786)
Assets classified as held for sale	–	(9,388)	(7,511)	(1,758)	(18,657)
Balance as at 30 June 2018	7,683	–	1,267	36,521	45,471
Accumulated depreciation					
Balance as at 1 July 2017	–	–	(3,358)	(8,390)	(11,748)
Disposals	–	–	–	2,652	2,652
Assets classified as held for sale	–	–	2,962	964	3,926
Depreciation expense	–	–	(219)	(4,154)	(4,373)
Balance as at 30 June 2018	–	–	(615)	(8,928)	(9,543)
Net book value 2018	**7,683**	**–**	**652**	**27,593**	**35,928**
Net book value 2017	**16,365**	**9,388**	**5,420**	**5,011**	**36,184**

a) Leased assets

The Benevolent Society did not have any finance leases (2017: nil).

b) Valuations of land and buildings

Land and buildings were deemed at cost as at transition to Australian equivalents to International Financial Reporting Standards (“AIFRS”) date (1 July 2004). Valuations performed between March and May 2016 by Dobrow Valuations showed recoverable values as greater than carrying values thus an impairment loss did not occur (refer Note 34(h)).

Land and Buildings were valued at $27,670,000 between March and May 2016 with a carrying value of $14,589,000 (2017: $14,809,000). The Benevolent Society’s national office location at 188 Oxford St, Paddington, NSW was sold subsequent to the reporting period and the sale value exceeded the carrying amount (refer Note 29).

c) 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.

d) Assets classified as held for sale

Refer to Note 7.

12. Non-current assets: intangible assets

	Note	Work In Progress IT development and software $'000	IT software $'000	Goodwill $'000	Total $'000
Gross carrying amount					
Balance as at 1 July 2017		499	3,663	–	4,162
Acquisition	21	–	–	4,937	4,937
Additions		2,179	–	–	2,179
Reclassification		(2,553)	2,619	–	66
Disposals		–	–	–	–
Assets classified as held for sale		–	–	–	–
Balance as at 30 June 2018		125	6,282	4,937	11,344
Accumulated depreciation					
Balance as at 1 July 2017		–	(1,747)	–	(1,747)
Disposals		–	–	–	–
Assets classified as held for sale		–	–	–	–
Depreciation expense		–	(1,039)	–	(1,039)
Balance as at 30 June 2018		–	(2,786)	–	(2,786)
Net book value 2018		**125**	**3,496**	**4,937**	**8,558**
Net book value 2017		**499**	**1,916**	**–**	**2,415**

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 during the year relates 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 FY19. Cash flows beyond the first year is extrapolated using estimated growth rates.

13. Current liabilities: trade and other payables

	2018 $'000	2017 $'000
Trade payables	1,090	4,510
Other payables	3,231	1,909
Accruals	6,206	13,534
Unexpended grants: Government funding received in advance	8,204	5,018
	18,731	**24,971**

a) Risk exposure

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

14. Current liabilities: employee benefit obligations

	2018 $'000	2017 $'000
Employee benefits – annual leave	8,587	4,421
Employee benefits – long service leave	12,669	1,863
	21,256	**6,284**

15. Current liabilities: borrowings

	2018 $'000	2017 $'000
Hire purchase liabilities	202	–
Unexpired hire purchase liability	(11)	–
	191	**–**

16. Current liabilities: refundable loans

	2018 $'000	2017 $'000
Resident entry contributions	245	245
	245	**245**

17. Non-current liabilities: borrowings

	2018 $'000	2017 $'000
Hire purchase liabilities	170	–
Unexpired hire purchase liability	(6)	–
	164	**–**

18. Non-current liabilities: provisions

	2018 $'000	2017 $'000
Property make good provisions	789	789
	789	**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

	2018 $'000	2017 $'000
Employee benefits – long service leave	712	790
Defined superannuation benefit	5,589	–
	6,301	**790**

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)
- 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;

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

Description of risks (continued)

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; and

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.

(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
Acquired in business combination (note 21)	(24,869)	18,264	(6,605)
Total amount recognised in profit and loss	(1,162)	365	(797)
Total amount recognised in other comprehensive income	760	593	1,353
Contributions by fund participants	(245)	245	–
Contribution by the employer	–	460	460
Benefits paid by the plan	1,334	(1,334)	–
30 June 2018	(24,182)	18,593	(5,589)

Net liability disclosed above relates to funded obligations.

	2018 $'000	2017 $'000
Present value of funded obligations	(24,182)	–
Fair value of plan assets	18,593	–
Deficit of funded plans	**(5,589)**	**–**

At the date of acquisition the defined benefit schemes were fully funded on an AASB 1056 basis. On the same date, for the purpose of measurement under AASB 119, the schemes collectively reflected a deficit as presented above. This deficit has since reduced due to the actuarial gains on funded assets and TBS's contribution into the fund in line with actuary's recommendation.

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
SANCS	% of Member Salary	3.1
SSS	Multiple of Member Contributions	0.8

(ii) Categories of plan assets

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

As at	As at 30 June 2018 %
Short Term Securities	11
Australian Fixed Interest	5
International Fixed Interest	3
Australian Equities	22
International Equities	26
Property	9
Alternatives	24
Total	**100**

(iii) Principal actuarial assumptions

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

As at	As at 30 June 2018
Discount rate (10 year government bond yield)	2.65%
Salary increase rate (excluding promotional increases)	2.7% pa for 2018/19; 3.2% pa thereafter.
Rate of CPI increase	2.25% pa for 2018/19 and 2019/20; 2.5% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are those to be used for 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".

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

Description of risks (continued)

The economic assumptions adopted for 30 June 2018 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 2018**
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% for 2018/19; 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa

20. Reserves and retained surplus

	2018 $'000	**2017 $'000**
(a) Available-for-sale financial assets reserve		
Balance 1 July 2017	3,767	(2,287)
Revaluation	2,523	5,857
Transfer to Statement of Income on disposal of investments	(4,280)	197
Balance 30 June 2018	2,010	3,767

The revaluation was $2,523,000 leading to an overall positive return on investment. Further details of the performance of the Endowment investments are provided on page 26 of the Endowment Report.

	2018 $'000	**2017 $'000**
(b) Restricted grants reserve		
Balance 1 July 2017	215	215
Balance 30 June 2018	215	215
(c) Retained surplus		
Balance 1 July 2017	139,623	140,709
Net deficit for the year	(20,959)	(1,086)
Balance 30 June 2018	118,664	139,623
(d) Defined benefit reserve		
Balance 1 July 2017	–	–
Re-measurement of employee benefit obligation	1,353	–
Balance 30 June 2018	1,353	–

(e) Nature and purpose of reserves

Available-for-sale financial assets revaluation reserve

Changes in the fair value of managed fund investments classified as available-for-sale financial assets, are taken to this reserve, as described in Note 20(a).

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 NSW State Government Family and Community Services Disability Operations

During the year the Department of Family and Community Services (FACS) selected The Benevolent Society (TBS) as the provider for NSW's disability clinical and allied health services after a competitive bidding process.

As part of this win, TBS signed an Implementation and Sale Agreement (ISA) on 2 March 2017, with an effective date of 1 August 2017 for the transfer of specified assets, employees and obligations of FACS to TBS. The transfer was enacted through transfer of the business to a new company (formed by FACS) – Benevolent Australia – Disability Services Ltd (BDS) where sole membership was transferred from the Minister for Multiculturalism, Minister for Disability Services to TBS.

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

	2018 $'000
Cash and cash equivalents	22,100
Employee liabilities – Annual leave	(4,709)
Employee liabilities – Long service leave	(15,723)
Defined benefit obligation	(6,605)
Net identifiable (liabilities) acquired	(4,937)
Add: goodwill	4,937
Net assets acquired	–

22. Key management personnel disclosures

a) Directors

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

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

c) Other key management personnel

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

Joanne Toohey RN	Chief Executive Officer
Simon Curtis MA (Hons), FCA	Executive Director, Finance and Corporate Services
Annette Chennell MSc, MPH, MA	Executive Director, Ageing and Disability (Up to 18/5/2018)
Matthew Gardiner BSocSc (Couns), M.Clin.Couns	Executive Director, Child and Family
Kirsty Nowlan BA (Hons), LLB (Hons), PhD	Executive Director, Strategic Engagement, Research and Advocacy
Rosie Stilin BA (Psych), MComm (Employment Relations)	Executive Director, People Learning & Culture (up to 3/4/2018)
Anna Robinson BA (Politics), MPPM	Executive Director, Business Development

d) Other key management personnel compensation

	2018 $'000	2017 $'000
Short term employee benefits (total compensation)	2,032	1,869

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 $1 per member. At 30 June 2018 the number of members of this company was 9 (2017: 9).

24. Contingencies

The Benevolent Society had $2,918,000 contingent liabilities at 30 June 2018 (2017:$1,927,000) in relation to security for property lease agreements. The Benevolent Society had no contingent assets at 30 June 2018 (2017: 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 2018 of $1,313,000 in relation to property fit outs (2017:$7,999,000).

b) Operating lease commitments

	2018 $'000	**2017 $'000**
Commitments in relation to rental of premises contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	6,185	7,285
Later than 1 year but not later than 5 years	20,648	22,880
Later than 5 years	14,354	18,055
	41,187	48,220

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 34:

Name of entity	Country of incorporation	Class of shares	2018 % owned	2017 % owned
Benevolent Australia Disability Service	Australia	Ordinary	100	–

27. Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Balance Sheet		
Current assets	31,880	30,693
Total assets	168,888	176,684
Current liabilities	26,106	31,500
Total liabilities	27,437	33,079
Shareholder's equity		
Available-for-sale financial assets reserve	2,010	3,767
Restricted grants reserve	215	215
Retained surplus	139,226	139,623
Total Equity	141,451	143,605
Deficit for the year	(397)	(1,086)
Total comprehensive income/ (loss) for the year	**(2,154)**	**4,968**

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 $581,700.

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 2018 The Benevolent Society received a coupon payment of $16,439 (2017: $19,500).

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 2018 The Benevolent Society received interest income of $504,841 (2017: $1,010,000) and held receivables of $3,366,000 (2017: $3,366,000) principal and interest in relation to subordinated and deeply subordinated notes.

c) The Benevolent Society Social Benefit Trust No.1

The Benevolent Society has been appointed as the Manager of The Benevolent Society Social Benefit Trust No.1 (the Trust) up to 17 December 2017 and is the sole Initial Charitable Member. The Trust was established in June 2013 to raise funds for, and otherwise assist and support, children and families in New South Wales who are disadvantaged, in need or vulnerable, through the trial of a pilot Social Benefit Bond. The Benevolent Society is engaged as a subcontractor of the Trust to provide these services.

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

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

During 2018 The Benevolent Society received $2,000,000 (2017: $2,000,000) from the Trust for the Resilient Families Service.

d) Transactions with Directors

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

e) Key management personnel

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

29. Events occurring after the reporting period

a) Sale of properties

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.

b) Acquisition of properties

The Benevolent Society purchased the new National office location at 2E Wentworth Park Rd, Glebe, NSW on 31 August 2018 for $34,910,000.

c) Acquisition of business

On 1 July 2018, The Benevolent Society became the sole member of Inclusive Directions Incorporated in South Australia. The Benevolent Society paid no consideration for this acquisition. At the date of signing these financial statements, the fair value of this acquisition had not been determined and the financial statements of Inclusive Directions Incorporated for the year-ended 30 June 2018 had not been signed. As reported in its 2017 signed financial statements, the net asset position for Inclusive Directions Incorporated as at 30 June 2017 was $1,886,000, and revenue for the year end was $2,058,000.

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

	2018 $'000	2017 $'000
Gross proceeds of fundraising from trusts and foundations	693	715
Gross proceeds of fundraising appeals and events	486	856
Total proceeds of fundraising	1,179	1,571
Total direct costs of fundraising appeals and events (see (d) below)	(228)	(322)
Net surplus from fundraising	**951**	**1,249**

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

	2018 $'000	2017 $'000
Net (surplus) from fundraising	(951)	(1,249)
This was applied to charitable purposes in the following manner:		
Community program expenditure	142,338	92,221
Administration expenses (i)	27,865	16,997
Total cost of community programs	170,203	109,218
Total charitable purpose expenditure	**170,203**	**109,218**
Shortfall in funds available from fundraising (ii)	**169,252**	**107,969**

(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

	2018 $'000	2017 $'000
Government grants and subsidies	87,718	87,863
Other government subsidies	20,000	–
Client fees	27,152	5,352
Bequests and legacies	26	1,908
(Surplus) / deficit for the year	20,959	1,086
Interest, dividend and managed fund distribution revenue	11,330	6,915
Social Benefit Bond Funding	2,000	2,000
Corporate funding	427	394
Other income	(360)	2,451
Shortfall in funds available from fundraising	**169,252**	**107,969**

d) Fundraising appeals and events conducted during the financial year

During 2018 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.

e) Fundraising ratios

	2018		2017	
	$'000	**%**	**$'000**	**%**
Total cost of fundraising : Gross income from fundraising	228 : 1,179	19	322 : 1,571	20
Net surplus from fundraising : Gross income from fundraising	951 : 1,179	81	1,249 : 1,571	80
Total cost of community programs : Total expenditure	142,338 : 170,431	84	92,221 : 109,540	84
Total cost of community programs : Total revenue from continuing activities	142,338 : 149,832	95	92,221 : 106,003	87

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 Balance sheet and Statement of income and comprehensive income as follows:

	Notes	Endowment $'000	Operations $'000	Total $'000
Current assets				
Cash and cash equivalents	4	303	9,902	10,205
Trade and other receivables	5	6,995	5,663	12,658
Other held to maturity	6	–	1,000	1,000
Assets classified as held for sale	7	1,752	12,979	14,731
Non-current assets				
Receivables	8	–	3,366	3,366
Other financial assets	9	83,353	20	83,373
Other held to maturity	10	–	100	100
Property, plant and equipment*	11	–	35,928	35,928
Intangible assets	12	–	8,558	8,558
Total assets		**92,403**	**77,516**	**169,919**
Investment income	2(b)			
Interest		195	1,306	1,501
Investment distributions		5,549	–	5,549
Realised gain on sale of investments		4,280	–	4,280
Total income		**10,024**	**1,306**	**11,330**

*May 2016 valuation of the Endowment properties were $3,450,000 with carrying values of $1,739,000 (2017: $1,776,000).

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)
- 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.

The Benevolent Society holds the following financial instruments:

	Notes	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	4	10,205	20,443
Trade and other receivables	5	12,658	10,250
Non-current receivables	8	3,366	3,366
Available-for-sale financial assets	9	83,373	102,926
Held-to-maturity investments	6 and 10	1,100	1,100
		110,702	**138,085**
Financial liabilities			
Trade payables	13	7,296	18,044
Other payables	13	3,231	1,909
Retirement village contributions	16	245	245
Government funding received in advance	13	8,204	5,018
Borrowings	15 and 17	355	–
		19,331	**25,216**

33. Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

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

			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 2018 $'000**	**Total 2017 $'000**
Financial assets								
Cash	1.45	9,902	–	–	–	–	9,902	18,121
Short term deposits	2.48	–	303	–	–	–	303	2,322
Trade and other receivables	–	–	–	–	–	9,598	9,598	5,684
Other receivables term deposits	2.53	–	3,060	–	–	–	3,060	4,567
Non-current term deposits	–	–	–	–	–	–	–	–
Non-current receivables	15.00	–	–	–	3,366	–	3,366	3,366
Held-to-maturity investments	7.00	–	1,000	100	–	–	1,100	1,100
Available-for-sale financial assets	–	–	–	–	–	83,373	83,373	102,926
	–	9,902	4,363	100	3,366	92,971	110,702	138,085
Financial liabilities								
Trade payables	–	–	–	–	–	7,296	7,296	18,044
Other payables	–	–	–	–	–	3,231	3,231	1,909
Government funding received in advance	–	–	–	–	–	8,204	8,204	5,018
Retirement village contributions payable		–	–	–	–	245	245	245
Borrowings	–	–	191	164	–	–	355	–
	–	–	191	164	–	18,976	19,331	25,216
Net financial assets	**–**	**9,902**	**4,172**	**(64)**	**3,366**	**73,995**	**91,371**	**112,869**

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

(d) Fair value measurements

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents The Benevolent Society's financial assets and liabilities measured and recognised at fair value at 30 June 2018 and 30 June 2017:

	Level 1 $,000	Level 2 $,000	Level 3 $,000	Total $,000
2017				
Available-for-sale financial assets				
Investments – managed funds	102,926	–	–	102,926
2018				
Available-for-sale financial assets				
Investments – managed funds	83,373	–	–	83,373

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

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

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

34. 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 (Note8(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:

- available-for-sale financial assets, financial assets and liabilities.
- 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 its 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 2018, the consolidated entity recorded a deficit of $20,959,000 (2017: deficit $1,086,000) and had net current liabilities of $1,829,000 (2017: $807,000). In the same period the consolidated entity had operating cash outflows of $25,855,000 (2017: $100,000). These results were mainly due to the acquisition of Benevolent Australia Disability Service, which was expected to generate a deficit for the first two years and thereafter return to surplus.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

i) availability of the option to draw down from the endowment fund balance of $83,373,000, subject to appropriate approval of the Board.
ii) the results of the Parent entity continues to break even and meet its obligation from the cash flow generated from its operations.
iii) continued focus on the operations on Benevolent Australia Disability Service to return to surplus position by achieving effective staff utilisation rates and increasing the NDIS client portfolio 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.

(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.

34. Summary of significant accounting policies (continued)

(g) Business combinations (continued)

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.

(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) Trade and other receivables

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

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

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

(k) Investments and other financial assets

(i) Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

(iv) Held-to-maturity investments

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

Held-to-maturity financial assets are included in 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.

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

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

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

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

(vii) Impairment

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

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

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

(l) 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.

34. Summary of significant accounting policies (continued)

(l) 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.

(m) Intangible assets

IT development and software

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

(n) 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.

(o) Provisions

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

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

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

(p) 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.

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.

(q) 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.

(r) 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.

(s) Comparative information

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

For the year ended 30 June 2018, prior year comparatives on the Statement of income relating to corporate office expenses were reclassified from Community services expenses to Infrastructure and investments.

(t) New and amended standards adopted

The Benevolent Society has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

34. Summary of significant accounting policies (continued)

(t) New and amended standards adopted (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by The Benevolent Society. The Benevolent Society's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

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

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

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

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

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

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

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

The accounting for lessors will not significantly change.

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

The standard will affect primarily the accounting for The Benevolent Society's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $41,187,000, see note 25(b). However, The Benevolent Society has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect The Benevolent Society's profit and classification of cash flows.

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

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

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

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

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

Directors' declaration
30 June 2018

In the Directors' opinion:

a) the financial statements and Notes set out on pages 32-64 are in accordance with the *ACNC Act 2012*, including:

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

ii) giving a true and fair view of The Benevolent Society's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

b) there are reasonable grounds to believe that The Benevolent Society will be able to pay its debts as and when they become due and payable.

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

Andrew Yates, Chairman of the Audit, Finance and Risk Committee

Sydney, 2 October 2018

Declaration by the Chairman
30 June 2018

Declaration by Chairman in respect of fundraising appeals

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

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

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

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

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

Lisa Chung, Chairman

Sydney, 2 October 2018

Auditor's report to members

pwc

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 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- 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* (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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Auditor's report to members

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2018, including the Directors' Report and Endowment Report, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and 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.

Auditor's report to members

pwc

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

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

Auditor's Opinion

In our opinion, in all material respects:

a. The financial report of The Benevolent Society is prepared and associated records have been properly kept, during the financial year ended 30 June 2018, 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 2018 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 2018 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
2 October 2018

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Board

Lisa Chung (Chairman)
Tim Beresford (Deputy Chairman)
Mike Beckerleg
Kathleen Conlon
Karen Healy
Charles Prouse (on leave)
Robert Warren
Andrew Yates
Rod Young
Elaine Leong
(Company Secretary)

Leadership Team

Jo Toohey (CEO)
Andrew Collins (Acting)
Matt Gardiner
Jo-Anne Hewitt
Josh Keech
Kirsty Nowlan
Anna Robinson

Endowment Investment Advisory Committee

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

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benevolent SOCIETY