INDEPENDENCE AUSTRALIA GROUP LIMITED
TRADING AS 'INDEPENDENCE AUSTRALIA'
ABN 80 973 805 243

ANNUAL FINANCIAL REPORT
30 JUNE 2020

INDEPENDENCE AUSTRALIA GROUP LIMITED
ABN 80 973 805 243

Contents

INDEPENDENCE AUSTRALIA GROUP LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

The Directors present their report together with the financial report of Independence Australia Group Limited ("the Organisation") for the financial year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The Directors of the organisation at any time during, or since the end of, the financial year are:

Director	Date appointed	Date retired	Board Meetings Held*	Board Meetings Attended*	Audit & Risk Meetings Held*	Audit & Risk Meetings Attended*
M C Daddo	Jul 2014		6	6	-	-
J Long	Nov 2001		6	4	3	-
B D Meltzer	Mar 1997		6	6	3	3
P Solomon	Nov 2016		6	6	3	2
C Toh	Jul 2015		6	5	3	3
P A Turner	Jul 2015		6	5	3	3

	Commerce & planning Meetings Held*	Commerce & planning Meetings Attended*
M C Daddo	2	1
B D Meltzer	2	1
P Solomon	2	2
P A Turner	2	2

* Number of meetings during the time the Director held office during the financial year.

Name & Qualifications	Experience & Special Responsibilities
Mr. Michael Daddo B.Bus (Marketing)	Mr. Daddo is a member of the Commerce & Planning Sub-Committee and Chairman of the Remuneration Sub-Committee. He is the Managing Partner of The Shannon Company, with over 25 years of senior management experience in marketing and advertising including Director of Ogilvy & Mather Australia, Director of George Patterson Bates and Founding Managing Director and National Partner of M&C Saatchi Melbourne. Throughout his career, Michael has held a number of Board and Advisory roles including Strategic Advisor to Reach, Trustee of the Victorian Arts Centre and Director of the Richmond Football Club.

DIRECTORS (Continued)

Name & Qualifications	Experience & Special Responsibilities
Mr. Jeremy Long B.Bldg FAIB	Mr. Long is a Member of the Audit & Risk Sub-Committee. He is a Lead Quality, Environmental and Safety Auditor and Systems Consultant with DLCS International. Prior to an accident that left Jeremy a paraplegic, Jeremy worked as a Building Project Manager for several large construction organisations. Jeremy is the Managing Director of Jeremy R. Long Building Consultants Pty Ltd, and past Chairman and Director of Disability Sport & Recreation.
Mr. Brian Meltzer B.Com, M.Ec	Mr. Meltzer has been Chairman of the Board since November 2010 and is a Member of the Commerce & Planning and Audit & Risk Sub-Committees. He was Chief Economist of ICI Australia (now Orica), prior to a 25 year career in investment banking. His breadth of expertise includes major property transactions, corporate advisory, corporate finance, management buyouts, venture capital and large scale syndications. He has held a number of Board and Board Advisory roles for private companies in the human resources, health, aged care, software, entertainment and finance sectors, including Director of a federal government licensed Innovation Investment Fund and co-founder of OSA Group, a provider of mental health services to corporates. Brian is also a Director of the Australia-Israel Chamber of Commerce, the dual listed Alterity Therapeutics (previously Prana Biotechnology) and is Chairman of a privately owned corporate health business.
Mr. Paul Solomon B.Com, PhD(AM) MAICD,FAIM, FIML	Mr. Solomon is Chair of the Commerce & Planning Sub-Committee. Paul has more than 20 years' experience, both nationally and internationally, in the business services, healthcare, finance, education and social sectors. He is the Chairman of the International Parking Group (IPG) and Director of an International Management Consulting Company. His past positions have included Executive Chairman of the Somaia Group, National Executive for a major ASX Company, General Manager of the Austin & Repatriation Medical Centre (VIC), Associate Professor with Wollongong University and Managing Director of the Central Health Department (WA). He has contributed to a number of charitable Boards including Red Cross, Anti-Cancer Council (VIC) and Austin Research Institute and has been a member of a number of National Policy Committees including the Australian Health Ministers Advisory Committee.
Ms. Catherina Toh BA (Hons), LLB (Hons) GAICD	Ms. Toh is the Chair of the Audit & Risk Sub-Committee. Catherina is co-founder and Chief Operating Officer of cybersecurity venture capital firm, 5i Capital Pte Ltd, licensed in Singapore and with an Asia-Pacific (ex-China) focus. Since 2004 she has been running her own legal and regulatory compliance consultancy, advising major financial services organisations in Australia and Asia on compliance, risk management and strategy development. Throughout her career, Catherina has held a number of senior executive positions across a variety of organisations including PriceWaterhouseCoopers and National Australia Bank. She is an experienced company Director, with Board and Committee experience in the not-for-profit, private and public sectors. She is also a Director of AMES Australia and is the founding partner and was the inaugural Chair of Social Venture Partners Melbourne, a venture philanthropy organisation.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS (Continued)

Name & Qualifications	Experience & Special Responsibilities
Mr. Peter Turner MHA, FCPA, FAIM, AFCHSM, MAICD	Mr. Turner has been the Chief Executive Officer of Independence Australia since 2005 and Managing Director since July 2015. Peter has worked in a range of senior management positions in the health and community services industry for over 25 years in the public, private and not-for-profit sectors. He is a Harvard Club Fellow, an Alumnus of Leadership Victoria, a volunteer Surveyor for the Australian Council on Healthcare Standards, Director of a Community Health Service and has also served as the probono Chief Executive of a charitable trust.

COMPANY SECRETARY

Mr. Neil Walsh, B. Bus (Acc), FCA was appointed to the position of company secretary in February 2004. Prior to his current role as Chief Financial Officer for the organisation, Neil was Operations Director and company secretary for the Australian subsidiary of an international publishing company and a Chartered Accountant in public practice.

PRINCIPAL ACTIVITIES

The principal activities of the Organisation during the year were the provision of accommodation, attendant care support services, information and the distribution of equipment, continence and other health related products for the general welfare of persons with a disability. These principal activities are aligned to the strategic plans of the organisation and assist in the achievement of each of the business plans established on an annual basis. They are then analysed by the use of KPIs on a monthly basis. There were no significant changes in the nature of the activities of the organisation during the year.

COMPANY OBJECTIVES

The Organisation prepares a strategic plan every three years. A strategic plan was adopted by the Board in November 2018 for a commencement from January 2019 to December 2022. The strategic plan has established objectives around customer first, social entreprise, good governance and social impact. Business plans are prepared annually and tied back to these areas. Management reports to the board regularly on the attainment of the goals within the business plans. KPIs such as revenue targets, gross margin and profitability analysis are prepared on a monthly basis and other key data related to service delivery, staff related KPIs and quality issues are reported to the Board through the various sub committees.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2020

OPERATING AND FINANCIAL REVIEW

The statement of profit or loss and other comprehensive income for the year ended 30 June 2020 shows a surplus of $12,393,911 (2019: $6,208,387).

The sources of revenue are set out in Note 5 of the financial statements.

Total revenue for the current financial year is $167,340,870 (2019: $143,077,154). The main increase in revenue this year is due to the continued growth of Health Solutions whose sales reached $136 million, a 19% increase on the previous year, with part of that increase resulting from a surge in sales of medical and continence products through March and April, the early stage of the Covid-19 lockdowns.

The statement of financial position at 30 June 2020 shows the organisation remains financially strong with total members' equity of $41,181,953 (2019: $29,882,602).

DIVIDENDS

The Organisation's constitution precludes the payment of dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes in the state of affairs of the organisation that occurred during the financial year under review.

This is the first set of the Organisation's annual financial statements in which AASB16 *Leases*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* have been applied. Under the transition methods chosen, comparative information has not been restated. Changes to significant accounting policies and the impact of applying the new standards are described in Note 23.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the organisation, to affect significantly the operations of the organisation, the results of those operations, or the state of affairs of the organisation in future financial years.

LIKELY DEVELOPMENTS

The Organisation continues to pursue its policy of examining ways in which it can enhance the provision of services to people with a disability, and the continued growth in Health Solutions to fund these services.

ENVIRONMENT REGULATION

The Organisation’s operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. However, the Board believes that the organisation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Organisation.

INDEMINIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Organisation is a non-government organisation funded in part by the Victorian Department of Health and Human Services. The funding includes the provision of Director’s and Officer’s liability and professional indemnity insurance at no cost to the Organisation. The policy provides for wrongful acts which are an error, misstatement, misleading statement, omission, neglect or breach of duty made, omitted or attempted.

Since the end of the previous financial year, the Organisation has not indemnified or made a relevant agreement to indemnify any person who is or has been an auditor of the Organisation.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration is set out on page 37 and forms part of the directors’ report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors:

Brian Meltzer Chairman	30/10/2020 Dated at Melbourne
Peter Turner Director	30/10/2020 Dated at Melbourne

INDEPENDENCE AUSTRALIA GROUP LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Revenue	5	167,340,870	143,077,154
Purchases of inventories		(95,587,712)	(82,120,083)
Changes in inventories of finished goods		1,299,924	1,311,018
Employee expenses		(39,737,748)	(36,622,936)
Depreciation and amortisation expenses	12,13	(2,910,484)	(1,173,605)
Impairment losses on trade receivables		(193,000)	(193,500)
Communication expenses		(2,412,993)	(2,263,349)
Utility and occupancy expenses		(1,362,047)	(2,672,265)
Donation and other fundraising expenses		(344,673)	(436,439)
Freight expenses		(7,997,938)	(6,842,110)
Professional fees		(832,033)	(747,647)
Computer expenses		(1,361,445)	(1,311,448)
Bank charges		(379,325)	(357,409)
Agency and client expenses		(720,635)	(1,399,921)
Other expenses		(2,567,119)	(2,706,117)
Total Expenses		(155,107,228)	(137,535,811)
Results from operating activities		**12,233,642**	**5,541,343**
Finance income	6	607,969	667,044
Finance expenses	6	(447,700)	-
Net finance income	6	160,269	667,044
Net surplus before income tax		**12,393,911**	**6,208,387**
Income tax expense	24(d)(i)	-	-
Surplus for the year		**12,393,911**	**6,208,387**
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss			
Net change in investments at FVOCI		(196,728)	(19,483)
Other comprehensive income for the year, net of tax		**(196,728)**	**(19,483)**
Total comprehensive income for the year		**12,197,183**	**6,188,904**

The Organisation has initially applied AASB16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

This Statement should be read in conjunction with the accompanying notes.

INDEPENDENCE AUSTRALIA GROUP LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	7	8,381,308	4,818,814
Trade and other receivables	8	11,987,081	13,538,692
Inventories	9	13,543,599	12,243,675
Other financial assets	10	26,303,171	19,021,247
Other current assets	11	169,143	108,515
Total Current Assets		**60,384,302**	**49,730,943**
NON-CURRENT ASSETS			
Property, plant and equipment	12	16,089,372	7,226,198
Investments	10	4,601,972	4,782,135
Intangible assets	13	1,370,367	826,218
Total Non-Current Assets		**22,061,711**	**12,834,551**
Total Assets		**82,446,013**	**62,565,494**
CURRENT LIABILITIES			
Trade and other payables	14	19,088,414	18,960,758
Employee entitlements	15	7,300,038	7,257,359
Contract liabilities	16	7,472,341	5,995,297
Lease liabilities	17	1,600,223	-
Total Current Liabilities		**35,461,016**	**32,213,414**
NON-CURRENT LIABILITIES			
Employee entitlements	15	432,006	469,478
Lease liabilities	17	5,371,038	-
Total Non-Current Liabilities		**5,803,044**	**469,478**
Total Liabilities		**41,264,060**	**32,682,892**
Net Assets		**41,181,953**	**29,882,602**
EQUITY			
Reserves	18	6,108,009	6,304,737
Retained earnings		35,073,944	23,577,865
Total Equity		**41,181,953**	**29,882,602**

The Organisation has initially applied AASB16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

This Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Retained surplus $	Fair value reserve $	Property acquisition reserve $	Merger / acquisition reserve $	Total equity $
Balance 1 July 2018		17,369,478	324,220	4,000,000	2,000,000	23,693,698
Total comprehensive income for the year						
Surplus for the year		6,208,387	-	-	-	6,208,387
Other comprehensive income						
Net change of financial assets at FVOCI		-	(19,483)	-	-	(19,483)
Total other comprehensive income for the year		-	(19,483)	-	-	(19,483)
Total comprehensive income for the year		6,208,387	(19,483)	-	-	6,188,904
Closing balance at 30 June 2019		23,577,865	304,737	4,000,000	2,000,000	29,882,602
Balance at 30 June 2019		23,577,865	304,737	4,000,000	2,000,000	29,882,602
Adjustment on initial application of AASB 16	23	(897,832)	-	-	-	(897,832)
Adjusted balance at 1 July 2019		22,680,033	304,737	4,000,000	2,000,000	28,984,770
Total comprehensive income for the year						
Surplus for the year		12,393,911	-	-	-	12,393,911
Other comprehensive income						
Net change of financial assets at FVOCI		-	(196,728)	-	-	(196,728)
Total other comprehensive income for the year		-	(196,728)	-	-	(196,728)
Total comprehensive income for the year		12,393,911	(196,728)	-	-	12,197,183
Closing balance at 30 June 2020		35,073,944	108,009	4,000,000	2,000,000	41,181,953

This Statement should be read in conjunction with the accompanying notes.

INDEPENDENCE AUSTRALIA GROUP LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and government grants		174,004,842	147,781,055
Cash payments to suppliers and employees		(157,236,312)	(136,685,030)
Interest received		434,594	320,393
Net cash from operating activities		17,203,124	11,416,418
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	12	(4,469,294)	(812,637)
Payments for intangible assets	13	(186,043)	(969,883)
Payments for other financial assets		(7,281,924)	(8,757,038)
Proceeds from disposal of property, plant & equipment		149,111	85,952
Net cash (used in) investing activities		(11,788,150)	(10,453,606)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	17 (iv)	(1,852,480)	-
Net cash (used in) financing activities		(1,852,480)	-
Net increase in cash and cash equivalents		3,562,494	962,812
Cash and cash equivalents at 1 July		4,818,814	3,856,002
Cash and cash equivalents at 30 June	7	8,381,308	4,818,814

Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

This Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. REPORTING ENTITY

Independence Australia Group Limited is a company domiciled in Australia. The address of the Organisation's registered office is Building 1, 9 Ashley Street, West Footscray, Victoria. The Organisation is a not-for-profit social enterprise that provides choices for people living with a disability or other personal need, enabling them to regain and retain their independence within a supportive community. It is primarily involved in the provision of accommodation, attendant care support services, information and the distribution of equipment, continence, mobility and other health related products for the general welfare of persons with a disability.

2. BASIS OF ACCOUNTING

In the opinion of the directors, the Organisation is not publicly accountable. These general purpose financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* , Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDR'S) (including Australian interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board. These financial statements comply with Australian Accounting Standards - Reduced Disclosure Requirements.

This is the first set of the Organisation's annual financial statements in which AASB 16 *Leases,* AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* has been applied. Changes to significant accounting policies are described in Note 23.

The financial statements were authorised for issue by the Board of Directors on 30th October 2020.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Australian dollars, which is the Organisation's functional currency.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

5. REVENUE

	2020 $	2019 $
Sale of goods revenue - Health Solutions (AASB 15)	136,248,664	114,767,014
Rendering of services revenue (AASB 15)		
Government grants – operational	1,622,947	3,519,205
Fees – accommodation, care & other	28,151,124	23,388,366
	29,774,071	26,907,571
Fundraising revenue (AASB 1058)		
Donations	641,495	702,442
Bequests	47,182	58,160
Fundraising, raffles and other	150,132	149,416
	838,809	910,018
Other revenue (AASB 16)		
Rental income	479,326	492,551
Total revenue	167,340,870	143,077,154

6. FINANCE INCOME AND EXPENSE

	2020 $	2019 $
Realised gain on investments	-	74,113
Gain on fair value of investments	-	55,326
Interest income on investments	66,971	76,340
Interest income on bank deposits	388,974	283,975
Dividend income on investments	106,404	140,872
Franking credits on investments	45,620	36,418
Finance income	607,969	667,044
Realised loss on investments	(67,311)	-
Loss on fair value of investments	(49,353)	-
Interest expense for leasing arrangements (Note 17)	(331,036)	-
Finance expense	(447,700)	-
Net finance income and expense	160,269	667,044

The Organisation initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

7. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash on hand and at bank	558,434	759,151
Short term deposits	7,822,874	4,059,663
	8,381,308	4,818,814

Short term deposits include deposits with original maturities of less than 3 months.

8. TRADE AND OTHER RECEIVABLES

Trade receivables	9,750,688	11,216,844
Other receivables	2,236,393	2,321,848
	11,987,081	13,538,692

At 30 June 2020, trade receivables are shown net of impairment losses arising from expected credit losses of $500,000 (2019: $735,911).

9. INVENTORIES

Finished goods, at lower of cost and net realisable value	13,543,599	12,243,675

At 30 June 2020, inventories are shown net of provision for obsolescence of $550,000 (2019: $500,000).

10. OTHER FINANCIAL ASSETS

Current

Financial assets at amortised cost	26,303,171	19,021,247
	26,303,171	19,021,247

Investment classified as at amortised cost have an interest of 0.75% to 1.30% (2019: 2.00% to 2.77%) and mature in 3-12 months.

Non-current

Financial assets at fair value through profit or loss (FVTPL)	3,286,672	2,988,287
Financial assets at fair value through other comprehensive income (FVOCI)	1,315,300	1,793,848
	4,601,972	4,782,135

The non-current investments are managed by third parties on behalf of the Organisation. It consists of a variety of investments which generate a return based on income from those investments and changes in the market value of the investments.

11. OTHER CURRENT ASSETS

Prepayments	169,143	108,515

12. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Buildings	Fittings, fixtures and equipment	Motor vehicles	Capital works in progress	Total
Cost							
Balance at 1 July 2018		2,300,500	3,519,499	8,313,239	988,452	597,117	15,718,807
Additions		-	-	-	141,468	671,169	812,637
Transfers		-	-	316,824	22,209	(339,033)	-
Disposals		-	-	(33,217)	(196,770)	-	(229,987)
Balance at 30 June 2019		2,300,500	3,519,499	8,596,846	955,359	929,253	16,301,457
Balance at 1 July 2019		2,300,500	3,519,499	8,596,846	955,359	929,253	16,301,457
Recognition of right-of-use asset on initial application of AASB16	23	-	13,164,794	-	-	-	13,164,794
Adjusted balance at 1 July 2019		2,300,500	16,684,293	8,596,846	955,359	929,253	29,466,251
Additions		3,808,000	-	331,889	149,505	179,900	4,469,294
Transfers	13	-	-	250,733	-	(914,479)	(663,746)
Disposals		-	(6,239)	(3,480,207)	(285,075)	(14,774)	(3,786,295)
Balance at 30 June 2020		6,108,500	16,678,054	5,699,261	819,789	179,900	29,485,504
Accumulated Depreciation							
Balance at 1 July 2018		-	1,552,782	6,153,832	489,846	-	8,196,460
Depreciation for the year		-	120,671	801,807	107,462	-	1,029,940
Disposals		-	-	(33,217)	(117,924)	-	(151,141)
Balance at 30 June 2019		-	1,673,453	6,922,422	479,384	-	9,075,259
Balance at 1 July 2019		-	1,673,453	6,922,422	479,384	-	9,075,259
Recognition of right-of-use asset on initial application of AASB16	23	-	5,359,921	-	-	-	5,359,921
Adjusted balance at 1 July 2019		-	7,033,374	6,922,422	479,384	-	14,435,180
Depreciation for the year		-	1,744,776	756,102	103,966	-	2,604,844
Disposals		-	(4,731)	(3,450,032)	(189,129)	-	(3,643,892)
Balance at 30 June 2020		-	8,773,419	4,228,492	394,221	-	13,396,132
Carrying amounts							
At 30 June 2019		2,300,500	1,846,046	1,674,424	475,975	929,253	7,226,198
At 30 June 2020		6,108,500	7,904,635	1,470,769	425,568	179,900	16,089,372

13. INTANGIBLE ASSETS

Software	Note	2020	2019
Cost or deemed cost		**$**	**$**
Balance at 1 July		969,883	-
Additions		186,043	969,883
Transfer from capital works in progress	12	663,746	-
Balance at 30 June		1,819,672	969,883
Amortisation and impairment losses			
Balance at 1 July		143,665	-
Amortisation for the year		305,640	143,665
Balance at 30 June		449,305	143,665
Carrying amounts at 30 June		1,370,367	826,218

14. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	14,938,063	15,498,746
Other payables and accruals	4,150,351	3,462,012
	19,088,414	18,960,758

15. EMPLOYEE ENTITLEMENTS

	2020	2019
Current		
Salaries and accrued wages	572,030	946,618
Annual leave liability	2,952,304	2,702,604
Long service leave liability	3,775,704	3,608,137
	7,300,038	7,257,359
Non-Current		
Long service leave liability	432,006	469,478

The Organisation makes contributions to defined contribution superannuation funds. The amount recognised as expense was $3,020,981 for the financial year ended 30 June 2020 (2019: $2,725,138).

16. CONTRACT LIABILITIES

	2020 $	2019 $
Contract liabilites	454,236	369,161
Grants received in advance	2,672,984	856,727
Subsidies received in advance	4,345,121	4,769,409
	7,472,341	5,995,297

17. LEASES

The Organisation leases a number of office and warehouse facilities. Previously, these leases were classified as operating leases under AASB 117. The leases typically run for periods of 3 to 5 years with an option to renew the lease after that date. Some of the lease payments are renegotiated every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Organisation leases IT equipment with contract terms of one to three years. These leases are low-value items. The Organisation has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Organisation is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 12).

	Buildings	**Total**
	$	**$**
Written down value at 1 July 2019	7,804,873	7,804,873
Depreciation charge for the year	(1,624,877)	(1,624,877)
Written down value at 30 June 2020	6,179,996	6,179,996

(ii) Lease liabilities

	2020	**2019**
	$	**$**
Current	1,600,223	-
Non-Current	5,371,038	-
	6,971,261	-

(iii) Amounts recognised in profit or loss

2020 - Leases under AASB 16		
Interest on lease liabilities (Note 6)	331,036	-
Leases of low-value assets	69,149	-
2019 - Operating leases under AASB 117		
Lease expense	-	1,657,605

(iv) Amounts recognised in statement of cash flows

Total outflow for leases	(1,852,480)	-

(v) Extension options

Some property leases contain extension options exercisable by the Organisation up to a year before the end of the non-cancellable contract period.

The Organisation expects to exercise all lease extension options and these have been included in the lease liability of $6,971,261 as at 30 June 2020.

18. RESERVES

(a) Fair value reserve

The fair value reserve comprises the cumulative net unrealised change in the fair value of investments recognised at fair value through other comprehensive income until the investment is derecognised.

(b) Property acquisition reserve

The property acquisition reserve is for the purpose of acquiring properties for the future use of the Organisation.

(c) Merger / acquisition reserve

The merger / acquisition reserve is used for the purpose of entering into future mergers or acquisitions that might be undertaken to sustain the future viability of the Organisation.

19. RELATED PARTIES

(a) Key management personnel compensation

	2020 $	2019 $
Directors' fee	85,000	85,000
Employee benefits	1,464,942	1,430,400
	1,549,942	1,515,400

(b) Key management personnel transactions and director transactions

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or reporting policies of these entities.

These entities transacted with the organisation in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might resonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to entities over which they have control or significant influence is as follows:

		Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2020	2019	2020	2019
Amount due (to)/from:		$	$	$	$
Independence Solutions Ltd	(i)	123,575	71,547	(51,558)	4,161
SMG Health Pty Ltd	(ii)	3,623	2,939	-	-

19. RELATED PARTIES (Continued)

(b) Key management personnel transactions and director transactions (continued)

(i) Independence Solutions is a related party of the Organisation. Mr. Peter Turner is a director of the Organisation, and is also a director of Independence Solutions Ltd. The Organisation provides consultation and runs the daily operations on behalf of Independence Solutions. The services are under normal commercial terms and conditions.

(ii) SMG Health Pty Ltd provided flu vaccination services to the Organisation. Mr. Brian Meltzer is a director of the Organisation, and is also a director of SMG Health Pty Ltd. The services were provided under normal commercial terms and conditions.

20. MEMBERSHIP GUARANTEE

The Organisation is a company limited by guarantee and has 6 members (2019: 6 members). In the event of a winding up, each member of the Organisation has guaranteed to contribute up to a maximum of $20 each.

21. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the organisation, to affect significantly the operations of the organisation, the results of those operations, or the state of affairs of the organisation in future financial years.

22. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for investments at fair value through profit or loss and other comprehensive income that are measured at fair value.

23. CHANGES IN ACCOUNTING POLICIES

The Organisation has initially applied AASB 16 *Leases,* AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Organisation's financial statements.

(a) AASB 16 *Leases*

The Organisation has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnnings as 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

23. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) AASB 16 *Leases* (continued)

(i) Definition of a lease

Previously, the Organisation determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* . The Organisation now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 24(j).

On transition to AASB 16, the Organisation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Organisation applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a leases under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(ii) As a lessee

The Organisation previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Organisation. Under AASB 16, the Organisation recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement, or on modification, or a contract that contains a lease component, the Organisation allocates the considerations in the contract to each lease component on the basis of its relative stand-alone price.

Previously, the Organisation classified property leases as operating leases under AASB 117. On transition, for these leases, lease liablities were measured at the present value of the remaining lease payments, discounted at the Organisation's incremental borrowing rate as at 1 July 2019 (see Note 23(a)(iii)).

Right-of-use assets are measured at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Oganisation's incremental borrowing rate at the date of initial application: the Organisation applied this approach to its leases.

The Organisation has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Organisation used a number of practical expedients when applying AASB16 to leases previously classified as operating leases under AASB117. In particular, the Organisation:

- did not recognise right-of-use assets and liabilites for leases for which the lease term ends within 12 months of the date of initial application; and
- did not recognise right-of-use assets and liabilites for leases of low value assets (e.g. IT equipment).

23. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) AASB 16 *Leases* (continued)

(iii) Impact on financial statements

On transition to AASB 16, the Organisation recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 July 2019
	$
Right-of-use assets - property, plant and equipment	7,804,873
Lease liabilities	(8,477,705)
Retained earnings adjustment	(897,832)

When measuring lease liabilities for leases that were classified as operating leases, the Organisation discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 4.19%.

Operating lease commitments at 30 June 2019 as disclosed under AASB117	4,503,317
Reasonably certain extension option	4,469,841
Discounted using the incremental borrowing rate at 1 July 2019	(495,453)
Lease liabilities recognised at 1 July 2019	8,477,705

(b) AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers*

AASB 1058 clarifies and simplifies the income recognition requirement that apply for not-for-profit entities, in conjunction with AASB 15. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Under AASB 15, revenue is recognised when a customer obtains control of the good or service or services underlying a particular performance obligation is transferred to the customer. Income is deferred until obligations under the contract are satisfied either over time or at a point in time. When AASB 15 does not apply to a transaction, the Organisation considers whether AASB 1058 applies.

The Organisation has adopted AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application, 1 July 2019. Accordingly, the information presented for 2019 has not been restated. The Organisation has determined that there is no impact of the transition to retained earnings, statement of financial position or statement of profit or loss and other comprehensive income.

24. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise.

(a) Revenue

The Organisation has initially applied AASB 15 and AASB 1058 from 1 July 2019. Revenue is measured based on the consideration specified in a contract with a customer. The Organisation recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

Nature and timing of satisfaction of performance obligations	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (applicable before 1 July 2019)
Sale of goods Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable on delivery of goods.	**AASB 15** Revenue from the sale of goods (net of discounts) is recognised in the statement of profit and loss and other comprehensive income and is measured at the fair value of the consideration received or receivable. Revenue is recognised when goods are delivered and have been accepted by the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods, and the cost incurred or to be incurred can be reliably measured and the amount of revenue can be measured reliably.	Revenue from the sale of goods (net of discounts) is recognised in the statement of profit and loss and other comprehensive income and is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been trensferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods, and the cost incurred or to be incurred can be reliably measured and the amount of revenue can be measured reliably.
Rendering of services Invoices for services are issued and payable upon delivery of the service.	**AASB 15** Revenue from services rendered is recognised in the statement of profit or loss and other comprehensive income and is measured at the fair value of the consideration received or receivable. Revenue is recognised over time as the services are provided. The stage of completion can be reliably measured (i.e. upon delivery of the service), recovery of the consideration is probable, the costs incurred or to be incurred can be reliably measured and the amount of revenue can be measured reliably.	Revenue from services rendered is recognised in the statement of profit or loss and other comprehensive income and is measured at the fair value of the consideration received or receivable. Revenue is recognised when the stage of completion of the transaction can be measured reliably (i.e. upon delivery of the service), recovery of the consideration is probable, the costs incurred or to be incurred can be reliably measured and the amount of revenue can be measured reliably.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Revenue (continued)

Nature and timing of satisfaction of performance obligations	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (applicable before 1 July 2019)
Government Grants Grants are recognised in the statement of financial position initially as ‘contract liabilities’ when there is reasonable assurance that they will be received and that the Organisation will comply with the grant conditions.	**AASB 15** Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the revenue is recognition based on either cost or time incurred which best reflects the transfer of control. Where specifically designated grant revenue and the designated expenditure for such grants during the year has not occurred or is incomplete and there is likely to be an obligation to repay, the resulting amount is carried forward and recognised in contract liability and will be brought to account in future years as the funds are expended. Income recognition from grants received by the Organisation has been accounted for under AASB 15, where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the income is recognised when the performance obligations are satisfied.	Grants that compensate the Organisation for expenses incurred are recognised as revenue on a systematic basis in the periods in which the expenses are incurred.
Fundraising revenue Fundraising revenue comprises amounts received as donations and bequests.	**AASB 1058** These are contracts not 'enforceable' or the performance obligations are not 'sufficiently specific' and is accounted for under AASB 1058 where income is recognised immediately in profit or loss. Fundraising revenue is recognised at the time the funds are received.	These are received in cash or non-current assets and are included in the statement of profit or loss and other comprehensive income in the year that the Organisation obtains control of the contribution or the right to receive the contribution, its receipt is probable and the amount is measurable.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plan if the Organisation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Long term employment benefits

The Organisation's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise. From 1 July 2019, the Organisation was required to registered as an employer under the Victorian Long Service Portable Benefit Scheme. The scheme is designed to ensure that workers in the community services sector still qualify for long service entitlements if they move jobs but stay in the same sector. The Organisation is required to pay quarterly amounts to the scheme under the Regulations. These payments have been deducted from the calculation of the provision on the basis that they have obstensibly been paid.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Organisation can no longer withdraw the offer of those benefits and when the Organisation recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months after the reporting period, then they are discounted to their present value.

(c) Finance income and expenses

Finance income and expenses includes interest income, interest expense, dividend income, net gain or loss on the disposal of investments in debt securities measured at FVOCI, net gain or loss on financial assets at FVTPL, impairment losses (and reversal) on investments in debt securities carried at amortised cost or FVOCI and interest expense on lease liabilities. Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Organisation’s right to receive payment is established.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Taxation

(i) Income tax

The Organisation is a charitable institution for the purpose of Australian taxation legislation and is therefore exempt from income tax. This exemption has been confirmed by the Australian Taxation Office (ATO). The Organisation holds deductible gift recipient status.

(ii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Inventories

Inventories comprise finished goods of continence, wound care, equipment and health product supplies. All inventories are measured at the lower of cost and net realisable value. Cost of inventory is based on weighted average actual cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in the statement of profit or loss and other comprehensive income.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organisation and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substitued for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line or reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Organisation will obtain ownership at the end of the lease term. Land is not depreciated. The estimated useful lives of depreciable assets for the current and comparative periods are as follows:

	Years	**Method**
Buildings	25-40	Straight line
Fixtures, fittings and equipment	3-20	Straight line
Motor vehicles	3-10	Reducing balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Software

Other intangible assets that are acquired by the Organisation, and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of profit or loss and other comprehensive income as incurred.

(iv) Amortisation

Except for goodwill, intangible assets are amortised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Software is amortised at 3-5 years on a straight-line basis.

(h) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Organisation becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Organisation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the businesss model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

• it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

On initial recognition of an equity investment that is not held for trading, the Organisation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Organisation may irrevocably designate financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Organisation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice;

• how the performance of the portfolio is evaluated and reported to the Organisation’s management; and

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organisation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The Organisation classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables (refer note 14).

(iii) Derecognition

Financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards are transferred and it does not retain control of the financial asset.

Financial liability is derecognised when its contractual obligations are discharged or cancelled, or expires. Financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Organisation has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Impairment

(i) Non-derivative financial assets

The Organisation measures loss allowances at an amount equal to lifetime expected credit loss (ECL's), except for the following, which are measured at 12-month ECLs:

• debt securities that are determined to have low credit risk at the reporting date; and

• other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Organisation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative information and analysis, based on the Organisation's historical experience and informed credit assessment and including forward-looking information.

The Organisation considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Organisation in full, without recourse by the Organisation to actions such as realising security (if any is held).

The Organisation considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment (continued)

(i) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Organisation assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Organisation has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual and corporate customers, the Organisation individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Organisation expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Organisation's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, the Organisation reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment. Goodwill is tested annually for impairment.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Leases

The Organisation has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4.

Policy applicable from 1 July 2019

At inception of a contract, the Organisation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Organisation uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Organisation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Organisation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Organisation recognises a right-of-use asset and a lease liablity at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site of which it is located, less any incentives received.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (continued)

Policy applicable from 1 July 2019 (continued)

(i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Organisation by the end of the lease term of the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Organisation's incremental borrowing rate. Generally, the Organisation uses its incremental borrowing rate as the discount rate.

The Organisation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Organisation is reasonably certain to exercise, lease payments in an optional renewal period if the Organisation is reasonably certain to exercise an extension option, and penalities for early termination of a lease unless the Organisation is reasonably certain not to terminate early.

The lease liablity is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Organisation's estimate of the amount expected to be payable under a residual value guarantee, if the Organisation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liablity is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Organisation presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the statement of financial position.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (continued)

Policy applicable from 1 July 2019 (continued)

(i) As a lessee (continued)

Short-term leases and leases of low-value assets

The Organisation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value-assets and short-term leases, including IT equipment. The Organisation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Organisation allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessor

When the Organisation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Organisation makes an overall assessment of wheather the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Organisation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Organisation applies AASB 15 to allocate the consideration in the contract.

The Organisation applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. The Organisation further regularly reviews estimated unguaranteed residual values in calculating the gross investment in the lease.

The Organisation recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Organisation as a lessor in the comparative period were not different from AASB 16.

24. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (continued)

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Organisation determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  • the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  • the purchaser had the ability or right to control physical access while obtaining or controlling more than an insignificant amount of the output; or

  • facts and circumstances indicated that it was remote that other parties would take a more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Organisation classified leases that transferred substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised on the Organisation's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) As a lessor

When the Organisation acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Organisation made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Organisation considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

25. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and earlier application is permitted; however the Organisation has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Organisation's financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards;* and
- *Definition of Material (Amendments to IAS 1 to IAS 18).*

26. FINANCIAL RISK MANAGEMENT

(a) Overview

The Organisation has exposure to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments. This note presents information about the Organisation's exposure to these risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

(b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Organisation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Organisation's activities. The Organisation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk

Credit risk is the risk of financial loss to the Organisation if a customer or counterparty to a financial instrument fails to meet its obligations.

The Organisation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Organisation's customer base, including default risk of the industry as these factors may have an influence on credit risk. Geographically, there is no concentration of credit risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Organisation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

26. FINANCIAL RISK MANAGEMENT (Continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Organisation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Organisation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Organisation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(f) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will vary because of changes in market interest rates. The Organisation manages this by ensuring that its exposure to changes in interest rates is limited to on-call investments.

INDEPENDENCE AUSTRALIA GROUP LIMITED
ABN 80 973 805 243

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

In the opinion of the Directors of Independence Australia Group Limited ("the Organisation"):

(a) the Organisation is not publicly accountable;

(b) the financial statements and notes that are set out on pages 6 to 35 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* , including:

(i) giving a true and fair view of the Organisation's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the *Australian Charities and Not-for-profits Commission Regulation 2013* ; and

(c) there are reasonable grounds to believe that the Organisation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Brian Meltzer Chairman	30/10/2020 Dated at Melbourne
Peter Turner Director	30/10/2020 Dated at Melbourne

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Independence Australia Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Sarah Cain

Sarah Cain
Partner
Melbourne
30 October 2020

Independent Auditor's Report

To the members of Independence Australia Group Limited

Opinion

We have audited the ***Financial Report*** of Independence Australia Group Limited (the Organisation).

In our opinion, the accompanying Financial Report of the Company is in accordance with *the Australian Charities and Not-for-profits Commissions Act 2012 (ACNC)*, including:

- giving a true and fair view of the Organisation's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2020
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Organisation in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Independence Australia Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing 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 Act.*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Organisation's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Organisation's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Organisation.

iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Organisation to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Organisation regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG

Sarah Cain

Partner

Melbourne

30 October 2020