

**Multiple Sclerosis Limited and its  
controlled entities**

ABN 66 004 942 287

Annual Report

30 June 2013

# Multiple Sclerosis Limited and its controlled entities

## **Contents**

Directors' report	2
Consolidated statement of surplus or deficit and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	40
Lead auditor's independence declaration	41
Independent auditor's report	42

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

**For the year ended 30 June 2013**

The directors present their report together with the consolidated financial report of Multiple Sclerosis Limited ("the Company" or "MSL") being the Company and its controlled entities ("the Group"), for the financial year ended 30 June 2013 and the auditor's report thereon.

### 1 Directors

The directors of the Company at any time during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Experience and special responsibilities</b>
Ms Christina Isabelle Gillies Independent Non-Executive Director Chair	Appointed - 9 September 1991 Extensive experience in mergers, acquisitions, organisational change and information technology. Appointed Chair - 22 November 2006. Resident Melbourne
Mr Robert James Hunter McEniry MBA, MAICD Independent Non-Executive Director	Appointed - 23 May 1998 Extensive marketing and management experience. Member Audit and Risk Committee. Resident Melbourne
Mr Paul Anthony Murnane B.Ec, MBA, F Fin, FAICD Independent Non-Executive Director	Appointed - 6 December 2005 Extensive experience in financial services, consulting and general management. Member Audit and Risk Committee. Retired 8 January 2013. Resident Sydney
Ms Carolyn Ellen White Graduate Diploma in Business Management Independent Non-Executive Director	Appointed - 2 June 2009 Extensive experience in financial services, business banking and community support. Retired 5 February 2013. Resident Melbourne
Mr Garry Ross Whatley BBus (Accounting and Information Technology), MBA, GAICD Independent Non-Executive Director	Appointed - 4 August 2009 Extensive experience in information technology, telecommunications and consulting services in the corporate and government sectors. Resident Sydney
Mr William Peter Day LLB (Hons), M Administration, FCPA, FCA (Aust & UK), FAICD Independent Non-Executive Director	Appointed - 4 December 2007 Extensive professional accounting and management experience. Chair of Audit and Risk Committee from 26 February 2008. Resident Melbourne
Mr Ian James Pennell AM Independent Non-Executive Director	Appointed - 3 July 2008 Extensive experience in management including the not for profit sector. Member ACT Regional Advisory Board. Resident Canberra
Ms Lisa Pettigrew BA (Hons - Economics) Independent Non-Executive Director	Appointed - 16 March 2010 Extensive experience in health and human services. Advisor to senior government & health officials. Retired 31 May 2013. Resident Sydney

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

For the year ended 30 June 2013

### 1 Directors (continued)

Name, qualifications and independence status	Experience and special responsibilities
Major General Ian Gordon AO Retd, BSc Independent Non-Executive Director	Appointed - 24 October 2011 Extensive experience in personnel management and project management. Chairman ACT Regional Advisory Board. Resident Canberra
Ms Jennifer Hill-Ling LLB, FAICD Independent Non-Executive Director	Appointed - 24 April 2012 Extensive experience in corporate and commercial law. Retired 6 February 2013. Resident Sydney
Ms Sophie Langshaw CA, MAICD, BCom Independent Non-Executive Director	Appointed - 14 December 2012 Extensive experience in financial accounting and risk management. Member Audit and Risk Committee since July 2011. Resident Sydney

### Directors' meetings

Director	Board Meetings		Audit Committee Meetings	
	Held*	Attended*	Held*	Attended
Ms Christina Isabelle Gillies	20	18		
Mr Robert James Hunter McEniry	20	18	6	3
Mr Paul Anthony Murnane	8	8	3	2
Ms Carolyn Ellen White	11	10		
Mr Garry Ross Whatley	20	17		
Mr William Peter Day	20	19	6	6
Mr Ian James Pennell AM	20	20		
Ms Lisa Pettigrew	19	12		
Mr Ian Gordon AO	20	20		
Ms Jennifer Hill-Ling	11	9		
Ms Sophie Langshaw	13	12	6	6

\* Meetings Director was eligible to attend.

### Directors' emoluments

No emoluments are paid to Directors. Directors are reimbursed expenses for expenditure reasonably incurred in attending meetings or other affiliated business.

### 2 Audit and Risk Committee

The Audit and Risk Committee ("the Committee") has a documented charter that is approved by the Board. All members are non-executive and independent. The Chairperson may not be the Chairperson of the Board. The Committee advises on the establishment and maintenance of a framework for internal control and appropriate standards for the management of the Group.

(i) The members of the Audit and Risk Committee are:

- Mr William Peter Day – Independent Non Executive Director
- Mr Robert McEniry – Independent Non Executive Director
- Ms Sophie Langshaw - Independent Non Executive Director

(ii) Executives in attendance at Audit and Risk Committee Meetings are:

- Ms Robyn Hunter - Chief Executive Officer; B. Applied Science (Physio), MBA, GAICD
- Ms Christine Challis - Chief Operating Officer (Acting); B. Applied Science (Physio), MBA
- Mr Neil Harbottle - General Manager - Finance and Administration (Acting); B. Business, CA

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

For the year ended 30 June 2013

### 2 Audit and Risk Committee (continued)

The external auditors are invited to Audit and Risk Committee meetings at the discretion of the Committee. The Committee met 6 times during the year. During the year the external auditors met with the Committee to review the audit plan, review the statutory financial reports and to discuss the findings of the audit.

*(iii) The responsibilities of the Audit and Risk Committee are:*

- Reviewing the annual financial reports and other financial reports that are distributed externally.
- Recommending to the Board approval of statutory financial reports.
- Monitor the corporate risk management processes.
- Monitor the establishment of an appropriate internal control framework.
- Monitor the policies & procedures to ensure compliance with the Corporations Act 2001 and other regulatory requirements.
- Monitor the actual financial performance against budget approved by the Board and review revised forecasts for the year.

*(iv) Risk management*

The Committee reviews the Risk Management plan developed by management and monitors performance against the plan.

### 3 Company particulars

Multiple Sclerosis Limited is incorporated in Victoria. The registered office address is:

The Nerve Centre  
54 Railway Road  
Blackburn VIC 3130

The Company Secretary is Mr Michael Miers, FCPA. Mr Michael Miers was appointed company secretary on 24 April 2013.

### 4 Principal activities

The Company is a not-for-profit community service organisation incorporated under the provisions of the Corporations Act 2001 as a company limited by guarantee. The principal activities of the Group are to:

- Provide services for people with MS and other related neurological conditions
- Provide information and support to people living with MS, families, carers, volunteers, health professionals and research
- Promote community awareness
- Advocate on behalf of people living with MS including their families and carers
- Raise funds to support the provision of services and research
- Provide clients with responsive and appropriate in-home care in a professional manner through its subsidiary, Australian Home Care Services (AHCS)
- Cleaning and laundry services, predominantly to not-for-profit organisations
- Provision of healthcare services in-home (HAH)

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

For the year ended 30 June 2013

### 5 Operating and financial review

	Consolidated	
	2013	2012
	\$	\$
Total revenue and other income from operations	125,788,058	125,206,157
(Deficit)/Surplus from operations	(1,855,251)	266,114
Net financing income	112,718	136,596
Net (deficit)/surplus for the year	(1,742,533)	402,710

The overall operating performance for 2013 was disappointing. Operational changes have been made over the last 12 months, including redundancies, which will continue to improve the operating performance of the Group. The net deficit from operations of the Group for the 2013 year was deficit of \$1,855,251 which was \$2,121,365 lower than the 2012 surplus from operations of \$266,114.

#### MSL

This year's performance is a reflection of lower than expected results from the MS Gong Ride and the Melbourne Summer Cycle, which was partially attributable to an increase in competition for event fundraising income. This shortfall was somewhat offset by better than expected Walk Run results. Also contributing to the below expectation result was a shortfall in bequest income and additional one-off costs for software development.

MSL's operating deficit for the year was \$1,408,563 (2012: deficit of \$391,405).

#### AHCS

During the year, Australian Home Care Services Unit Trust acquired the remaining share of its equity accounted investee, Healthcare At Home Pty Ltd, which became its wholly owned subsidiary from 29 June 2013. For details of the acquisition refer to note 32 of the financial statements.

The operating deficit for Australian Home Care Unit Trust and its controlled entity for the year was \$333,970 (2012: surplus of \$794,115). A solid performance from the Nationwide Aged Care Cleaning division was offset by disappointing performance in the Community Care division and ongoing investments in Healthcare At Home Australia Pty Ltd, which is a start-up business operating in acute specialist nursing.

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

For the year ended 30 June 2013

### 6 Likely developments

The focus of the Group in the coming year is underpinned by the following strategic priorities:

- Deepen and validate our understanding of the needs of clients, families & carers to create better experiences for people affected by MS
- Consolidate and examine the relevance of services to all areas including rural and regional areas
- Leverage our knowledge of MS to advance opportunities, service improvements & service availability
- Improve fundraising effectiveness to support service delivery and research
- Continue to build a capable and sustainable organisation that delivers responsive and effective services to people affected by MS.

### 7 Environmental regulation

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

### 8 Dividends

The Company's memorandum specifically prohibits the payments of dividends or bonuses to members.

### 9 Significant change in the state of affairs

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

### 10 Indemnification and insurance of officers and auditors

#### Indemnification

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related party:

- i) indemnified or made any relevant agreements for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- ii) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings.

Since the end of the previous financial year the Company has maintained insurance policies in respect of directors' and officers' liability for both current and former Directors and Officers.

In Victoria, the Company has cover through Victorian Managed Insurance Authority (VMIA) for various insurance policies including Directors' and Officers' liability and Entity Liability, hence no premium payments are required.

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

**For the year ended 30 June 2013**

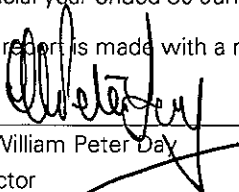
### **11 Events subsequent to reporting date**

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 usual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **12 Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 41 and forms part of the directors' report for financial year ended 30 June 2013.

This report is made with a resolution of the directors:

  
\_\_\_\_\_  
Mr William Peter Day  
Director

Dated at Melbourne this 23 day of September 2013.



Multiple Sclerosis Limited and its controlled entities  
Consolidated statement of surplus or deficit and other comprehensive income  
For the year ended 30 June 2013

<i>In AUD</i>	Note	<b>Consolidated</b> 2013	2012
<b>Revenue</b>			
Fundraising			
Donation campaigns		2,697,850	2,138,461
Bequests		821,525	1,386,476
Art Union		852,830	1,139,458
Events		8,784,131	8,898,596
Community fundraising		629,415	587,595
Readathon		309,694	268,106
Other fundraising income		269,114	72,359
Rendering of services - MSL			
Residential and respite care			
Government funding		6,751,699	6,582,045
Fees from residents		205,233	216,380
Other income		(14,277)	5,422
Community teams			
Government funding		4,705,951	4,574,877
Other income		69,206	76,202
Immunotherapy		314,243	433,293
Disability Day programs		806,608	844,300
Employment services		2,284,091	1,517,548
Other client services income		1,074,291	1,169,401
Corporate services			
Management fees		133,554	162,260
Retail - sale of goods		1,547,895	1,325,009
Rental income		135,844	137,422
Other corporate services income		3,079	49,765
Rendering of services - AHCS			
Homecare income		51,594,198	58,203,469
Cleaning and laundry income		41,114,339	34,704,184
Changes to deferred consideration payable to the vendor of the Nationwide business unit of AHCS		-	321,290
Other income		697,545	392,599
<b>Total revenue and other income from operating activities</b>		<b>125,788,058</b>	<b>125,206,517</b>
<b>Expenditure</b>			
(a) Expenditure incurred by Multiple Sclerosis Limited:			
Fundraising expenses		7,924,608	6,718,256
Residential care expenses		7,920,714	7,314,304
Community care expenses		7,043,899	6,888,546
Immunotherapy expenses		676,772	843,573
Disability Day programs expenses		993,676	1,016,361
Employment services expenses		2,190,719	1,421,128
Other client services expenses		4,181,220	4,222,072
Retail expenses		1,343,292	1,138,300
Corporate expenses		847,418	1,385,521
Other expenses		655,888	1,646,550
(b) Expenditure incurred by AHCS			
Homecare direct expenses		38,648,218	41,779,569
Cleaning and laundry direct expenses		32,253,718	26,688,059
Corporate and regional overhead expenses		21,776,862	22,844,105
<b>Total expenditure</b>		<b>126,657,004</b>	<b>123,906,344</b>
Share of losses of equity accounted investee		(986,305)	(1,034,059)
<b>(Deficit)/surplus from operations</b>		<b>(1,855,251)</b>	<b>266,114</b>
Finance income		236,409	397,574
Finance expense		(123,691)	(260,978)
<b>Net finance income</b>		<b>112,718</b>	<b>136,596</b>
Tax expense	3(1)/9	-	-
<b>Total (deficit)/surplus for the year</b>		<b>(1,742,533)</b>	<b>402,710</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to surplus or deficit:			
Available-for-sale financial assets		470,512	(139,388)
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,272,021)</b>	<b>263,322</b>

The notes on pages 12 to 39 are an integral part of these consolidated financial statements.

Multiple Sclerosis Limited and its controlled entities

Consolidated statement of financial position

As at 30 June 2013

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Cash and cash equivalents	15	2,403,894	1,180,356
Trade and other receivables	13	9,346,414	9,272,893
<b>Total current assets</b>		<u>11,750,308</u>	<u>10,453,249</u>
Investment in equity accounted investee	10	-	881,704
Property, plant and equipment	11	17,350,056	17,924,897
Intangible assets	12	16,139,855	16,425,307
Available-for-sale financial assets	14	3,467,803	3,908,280
<b>Total non-current assets</b>		<u>36,957,714</u>	<u>39,140,188</u>
<b>Total assets</b>		<u>48,708,022</u>	<u>49,593,437</u>
<b>Liabilities</b>			
Bank overdraft	15	1,904,764	2,712,571
Trade and other payables	19	5,376,171	5,803,833
Employee benefits	17	13,104,060	11,441,120
Deferred income and funds in advance	18	7,500,436	6,684,508
Loans and borrowings	16	220,330	249,630
Provisions	20	217,174	629,569
<b>Total current liabilities</b>		<u>28,322,935</u>	<u>27,521,231</u>
Employee benefits	17	1,155,319	1,351,731
Loans and borrowings	16	291,468	510,155
<b>Total non-current liabilities</b>		<u>1,446,787</u>	<u>1,861,886</u>
<b>Total liabilities</b>		<u>29,769,722</u>	<u>29,383,117</u>
<b>Net assets</b>		<u>18,938,300</u>	<u>20,210,321</u>
<b>Members' funds</b>			
Accumulated surplus		18,229,562	19,972,095
Fair value reserve		636,960	166,448
Bequest reserve		71,778	71,778
<b>Total members' funds</b>		<u>18,938,300</u>	<u>20,210,321</u>

The notes on pages 12 to 39 are an integral part of these consolidated financial statements.

Multiple Sclerosis Limited and its controlled entities

Consolidated statement of changes in equity

For the year ended 30 June 2013

In AUD

	<b>Accumulated surplus</b>	<b>Fair value reserve</b>	<b>Bequest reserve</b>	<b>Total</b>
<b>Consolidated</b>				
<b>Balance at 1 July 2011</b>	19,569,385	305,836	71,778	19,946,999
<b>Total comprehensive income for the year</b>				
Net surplus for the year	402,710	-	-	402,710
<i>Other comprehensive income</i>				
Change in fair value of available-for-sale financial assets	-	(139,388)	-	(139,388)
Total other comprehensive income	-	(139,388)	-	(139,388)
Total comprehensive income for the year	402,710	(139,388)	-	263,322
<b>Balance at 30 June 2012</b>	19,972,095	166,448	71,778	20,210,321
<b>Balance at 1 July 2012</b>	19,972,095	166,448	71,778	20,210,321
<b>Total comprehensive income for the year</b>				
Net deficit for the year	(1,742,533)	-	-	(1,742,533)
<i>Other comprehensive income</i>				
Change in fair value of available-for-sale financial assets	-	470,512	-	470,512
Total other comprehensive income	-	470,512	-	470,512
Total comprehensive income for the year	(1,742,533)	470,512	-	(1,272,021)
<b>Balance at 30 June 2013</b>	18,229,562	636,960	71,778	18,938,300

The notes on pages 12 to 39 are an integral part of these consolidated financial statements.

# Multiple Sclerosis Limited and its controlled entities

## Consolidated statement of cash flows

For the year ended 30 June 2013

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		138,437,002	129,591,662
Cash payments in the course of operations		(135,711,169)	(131,696,824)
Cash received from/(used in) operations		<u>2,725,833</u>	<u>(2,105,162)</u>
Interest and distribution income		236,409	338,941
Interest paid on bank overdraft		(44,426)	(40,218)
Cash received from/(provided to) equity accounted investee		<u>56,752</u>	<u>(46,017)</u>
<b>Net cash flows from/(used in) operating activities</b>	<b>24</b>	<u><u>2,974,568</u></u>	<u><u>(1,852,456)</u></u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		76,860	48,996
Proceeds from sale of available-for-sale financial assets		1,102,202	1,733,395
Reinvestment in available-for-sale financial assets		(59,218)	(39,935)
Payments for acquisition of available-for-sale assets		(132,001)	(489,079)
Payments for acquisitions of intangible assets		(78,948)	(1,292,255)
Payments from/(to) escrow account		469,428	707,879
Tranche payments on acquisition of business in prior year		(607,405)	(762,360)
Payments for acquisitions of property, plant and equipment		(757,789)	(479,234)
Equity subscription in equity accounted investee during the year		(750,000)	(1,080,000)
Cash inflow from business combination	<b>32</b>	<u>97,396</u>	<u>-</u>
<b>Net cash flows used in investing activities</b>		<u><u>(639,475)</u></u>	<u><u>(1,652,593)</u></u>
<b>Cash flows from financing activities</b>			
Payment of hire purchase liabilities		(303,748)	(621,575)
<b>Net cash flows used in financing activities</b>		<u><u>(303,748)</u></u>	<u><u>(621,575)</u></u>
Net increase/(decrease) in cash and cash equivalents		2,031,345	(4,126,623)
Cash and cash equivalents at beginning of the year		<u>(1,532,215)</u>	<u>2,594,408</u>
<b>Cash and cash equivalents at end of the year</b>	<b>15</b>	<u><u>499,130</u></u>	<u><u>(1,532,215)</u></u>

The notes on pages 12 to 39 are an integral part of these consolidated financial statements.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements

For the year ended 30 June 2013

### 1 Reporting entity

Multiple Sclerosis Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is The Nerve Centre 54 Railway Road, Blackburn, VIC 3130. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'consolidated entity').

### 2 Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements are Tier 2 general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on 23 September 2013.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

The preparation of financial statements 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 in the period in which the estimate is revised and in any future periods affected.

Key estimates and assumptions have been made on the following item:

- determination of the recoverable value of goodwill (refer to note 12).

#### (e) Going concern

The Group's financial statements are prepared on a going concern basis which contemplates the continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a net deficit of \$1,742,533 for the year ended 30 June 2013 (2012: net surplus of \$402,710) and as at that date, the Group had net current assets deficiency of \$16,572,627 (2012: \$17,067,982) and net assets of \$18,938,300 (2012: \$20,210,321).

The Directors are satisfied the basis of preparation is appropriate as a result of the following factors:

- operational initiatives have been initiated and executed in recent months within both the MSL and AHCS operations, which will reduce expenditures and are expected to move the Group's result into surplus in the 2014 financial year; and
- there is an availability of highly liquid investments which can be realised to fund operational expenditures if required.

In addition, the net current asset deficiency at 30 June 2013 is primarily due to the classification of employee benefits and deferred income liabilities, given they are contractually obliged to be settled within 12 months of balance date; sufficient and recurring funding has been secured for the 2014 financial year enabling the Group to meet its short term financial obligations.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

**For the year ended 30 June 2013**

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

#### **(a) Basis of consolidation**

##### *(i) Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of a business so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in surplus or deficit.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in surplus or deficit.

##### *(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### *(iii) Investments in associates and jointly controlled entities (equity accounted investees)*

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The present value of equity subscriptions payable in respect of the called capital of jointly controlled entities are recorded in their investment cost. The cost of investment includes transaction costs.

The financial statements include the Group's share of the profit and loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (iii) Investments in jointly controlled entities (equity accounted investees) (continued)

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### (iv) Jointly controlled operations and assets

The interest of the Group in jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

##### (v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Financial instruments

##### (i) Non derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)(i)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### (i) Non derivative financial assets (continued)

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(f)(i)), and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to surplus or deficit.

Available-for-sale financial assets comprise equity securities and debt securities.

##### (ii) Non-derivative financial liabilities

The Group initially recognises its financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less 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 bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.



# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (c) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 gains are recognised net within "other income" in surplus or deficit.

##### (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 Group 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 surplus or deficit as incurred.

##### (iii) Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- |                          |                                    |
|--------------------------|------------------------------------|
| • buildings              | 27 to 50 years                     |
| • plant and equipment    | 2 to 13 years                      |
| • motor vehicles         | 4 to 7 years                       |
| • leasehold improvements | lower of 25 years or leased period |

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

#### (d) Intangible assets

##### (i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

##### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (d) Intangible assets (continued)

##### (ii) Software development

Software development involve the cost of developing the Group's new ERP systems (CIBIS/TechnologyOne) whereas IT outsourcing and infrastructure is the costs incurred by the Group to acquire the business system and for setting up the infrastructure to support the IT cloud environment. Development expenditure is capitalised only if development costs can be measured reliably, the project is technically and commercially feasible, economic benefits are probable and the Group intends to and has sufficient resources to complete the development to use the assets.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are attributable to preparing the asset for its intended use. Other development expenditure is recognised in surplus or deficit as incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

##### (iii) Investment in property equity interest

Investment in property equity interest represents the right to provide client accommodation of one room in a Support Accommodation property. This investment is classified as an indefinite life intangible asset held at cost less impairment.

##### (iv) Licences

The intellectual property rights licences are measured at fair value at initial recognition. Licences are measured at cost less accumulated amortisation and impairment losses subsequent to initial measurement.

##### (v) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

##### (vi) 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 surplus or deficit as incurred.

##### (vii) Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative period are as follow:

	2013	2012
• IT outsourcing	3-5 years	5 years
• Customer contracts	1.5 - 10 years	1.5 - 10 years
• CIBIS/TechnologyOne	5 - 7 years	5 - 7 years
• Licences	5 years	-

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured 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 asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

#### (f) Impairment

##### (i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in surplus or deficit. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to surplus or deficit.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in surplus or deficit. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

##### *Application of Accounting Standard AASB139 to available-for-sale financial assets*

In accordance with AASB139 - Financial instruments: Recognition and measurement, subject to other evidence to the contrary and judgement, an available-for-sale financial asset is impaired if it has been below its accounting cost for a prolonged time, or by significant amount. The Group used the criteria of 9 months or approximately 20% as its criteria for assessing impairment, which is undertaken on an individual portfolio basis.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (f) Impairment (continued)

##### (ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use for goodwill, the estimated future cash flows are 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. In assessing the value in use of other non-financial assets, the Group uses its depreciated replacement cost. For the purpose of 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

#### (g) Employee benefits

##### (i) Defined contribution plans

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 expense in surplus or deficit when they are due.

##### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

##### (iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

##### (iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions for restructuring are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced providing future operating losses are not provided for.

#### (i) Revenue

##### (i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

##### (ii) Services

Revenue from services rendered is recognised in the consolidated statement of surplus or deficit in the period in which the service is provided. Revenue from rendering of services - Australian Home Care Services Group as disclosed in note 6 comprises in-home care, personal care, cleaning and laundry services provided by the Company's controlled entities.

##### (iii) Revenue from government grants

Government revenue is derived from services and programs performed on behalf of the State, Commonwealth and Local Governments. These are recognised in the period in which the services are provided, having regard to the stage of completion of activities and targets within each program as specified in the funding and service contracts. Any funding received for services which have not been performed and for which there is a refund obligation is recorded as deferred income or funding in advance in the consolidated statement of financial position.

Grants that compensate the Group for expenses incurred are recognised as revenue in the statement of surplus or deficit on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset is recognised in the statement of surplus or deficit as other income when the conditions attached to such grants are substantially satisfied.

##### (iv) Non-government funds

Non-government revenue is derived from donations, fundraising activities, client fees, philanthropic trusts and foundations and various other sources. These are recognised as revenue when received, unless any specific obligations attached to the funds received have yet to be performed, which are then recorded as deferred income in the consolidated statement of financial position.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (i) Revenue (continued)

##### (v) *Bequests*

Bequests are outside the normal operations of the Group. Bequests revenue can be either cash or non-cash in nature. Where bequests receipts are non-cash in nature, a surplus or deficit on realisation of such assets may arise. These are recognised as revenue when received, unless any specific obligations attached to the funds received have yet to be performed, which are then recorded as deferred income in the consolidated statement of financial position.

Bequests received are recognised as revenue in the determination of the Group's statutory results upon control of the bequest assets being transferred to the Group. Bequests received during the year, which are restrictive in nature, are transferred to the bequests reserve account at year-end as determined by the Board.

#### (j) Lease payments

##### (i) *Leases*

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (ii) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### (k) Finance income and expense

Finance income comprises interest income on funds invested, unwinding of the discount on receivables, dividend and distribution income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in surplus or deficit using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale and impairment losses recognised on financial assets (other than trade receivables). All borrowing costs are recognised in surplus or deficit using the effective interest method.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 3 Significant accounting policies (continued)

#### (l) Income tax

The Group is an exempt body for income tax purposes and accordingly no provision for income tax is made.

#### (m) 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 Australian Taxation Office (ATO). 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 balance sheet.

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.

#### (n) 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 2012 have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except for AASB 9: Financial Instruments, which becomes mandatory for the Group's 2016 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

### 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### (ii) Available-for-sale financial assets and other instruments

The fair value of available for sale financial assets and other instruments are determined as follows:

- Listed – by reference to their quoted bid price at reporting date,
- Unlisted – by reference to declared fund manager valuations at the reporting date, which are typically determined by reference to recent transaction values or commonly accepted valuation methodologies.

#### (iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 5 Financial risk management

#### Overview

This note provides disclosure on the Group's exposure to financial risks, and the risk management approach applied to manage these risks.

#### Risk management approach to investments

The Group has a proportion of its total assets in investments and managed funds that trade in the financial markets, which include the equities, currencies, commodities and fixed interest markets. Taking positions in these markets expose the Group's investments and managed funds to price fluctuations due to changes in credit, liquidity, currency, interest rate, political and economic conditions, locally in Australia and internationally.

The Group has established an investment committee to manage risk and philosophy on investments. To date, the Group has taken the conservative approach of retaining existing investments in equities and managed fund whilst investing surplus cash in capital secured interest bearing deposits. The Board and the Audit and Risk Committee regularly monitor the returns obtained on interest bearing deposits, investment in equities and the fund manager.

#### Other financial risk

The Group may be exposed to other financial risks arising out of their operations. These are summarised as follows:

- **Credit and trade receivable risks**

A significant part of the Group's operations is providing welfare and community service programs on behalf of the State, Local and Commonwealth Governments and therefore credit risk on trade and other amounts receivable is not considered significant as these typically comprise amounts owing from government bodies.

- **Liquidity risk**

The Group's financial obligations are adequately covered by cash and liquid investments. Sufficient liquidity is provided to meet operational and capital expenditure needs, and these are factored into cash flow forecasts and are constantly reviewed and updated.

#### Other risk management initiatives

The Group's operating environments are constantly evolving and becoming more complex to manage. The Board recognises these complexities, and continues to work in close collaboration with the Audit and Risk Committee.

The purpose of this Committee is to provide advice to the Board on matters relating to the financial performance and integrity of the Group, and risk management issues as they apply to the Group's Strategic Plan. The Group has updated its risk management system.

The Company's subsidiary, Australian Home Care Services, has established its own Audit and Risk Committee which oversees risk management issues pertaining to the operations of AHCS Group. Risk matters of Group significance are jointly reported to the Audit and Risk Committees of both the Company and the subsidiary.



# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 6 Income and expenditure by nature

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
Revenue - Multiple Sclerosis		32,381,975	31,584,975
Other income		697,544	392,599
Rendering of services - Australian Home Care Services		92,708,538	92,907,653
Changes to deferred consideration payable to the vendor of Nationwide		-	321,290
Share of losses of equity accounted investee	10	(986,305)	(1,034,059)
Employee expenses	7	(104,960,037)	(102,924,032)
Research expense		(340,185)	(519,156)
MSA contribution		(515,340)	(263,236)
Operating lease costs	21	(2,621,868)	(2,730,704)
Depreciation and amortisation expense		(2,132,305)	(2,074,741)
Other expenses		(16,087,268)	(15,394,474)
Deficit from operating activities		<u>(1,855,251)</u>	<u>266,114</u>
Financial income	8	236,409	397,574
Financial expense	8	(123,691)	(260,978)
Net financing income	8	<u>112,718</u>	<u>136,596</u>
(Deficit)/surplus before tax		(1,742,533)	402,710
Income tax expense	9	-	-
(Deficit)/surplus for the year		<u>(1,742,533)</u>	<u>402,710</u>

### 7 Carers and employee expenses

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
Wages and salaries and other employee expenses		96,590,777	94,157,587
Contribution to defined contribution superannuation funds		7,431,737	7,428,485
Movement in liability for annual leave	17	416,371	581,027
Movement in liability for long service leave	17	521,152	756,933
		<u>104,960,037</u>	<u>102,924,032</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 8 Net financing income

#### Recognised in profit or loss

*In AUD*

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
Interest income on available-for sale financial assets and bank deposits	111,840	158,110
Distribution income on available-for-sale financial assets	123,069	178,851
Unwind of discount on receivable from Nationwide Vendor	-	58,633
Gain on disposal of available-for-sale financial assets	1,500	1,980
Finance income	<u>236,409</u>	<u>397,574</u>
Interest expense on payable to Nationwide Vendor	(23,504)	(93,146)
Unwind of discount on payable to equity accounted investee	-	(40,205)
Interest expense on bank overdraft	(44,426)	(40,218)
Interest expense on hire purchase agreements	(55,761)	(87,409)
Finance expense	<u>(123,691)</u>	<u>(260,978)</u>
Net finance income recognised in profit or loss	<u>112,718</u>	<u>136,596</u>

### 9 Income tax expense

*In AUD*

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
(Deficit)/surplus before tax	(1,742,533)	402,710
Income tax credit/(expense) using the domestic corporation tax rate of 30% (2012: 30%)	522,760	(120,813)
Exempt income not subject to income tax	(522,760)	120,813
	<u>-</u>	<u>-</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 10 Investment in equity accounted investee

<i>In AUD</i>	Consolidated	
	2013	2012
Investment in equity accounted investee	-	881,704
	-	881,704

The Group's subsidiary, Australian Home Care Pty Ltd, trustee of the Group's subsidiary the Australian Home Care Unit Trust ("the Trust"), entered into a Joint Venture agreement with HAH Holdings (Europe) BV on the 8 April 2011 and established Healthcare At Home Australia Pty Ltd. At 30 June 2012, the Trust had 65% ownership of Healthcare At Home Australia Pty Ltd, which was increased to 68% in October 2012. On 29 June 2013, the Trust acquired the remaining 32% share of Healthcare At Home Australia Pty Ltd. On this date, Healthcare At Home Australia Pty Ltd became the Trust's subsidiary. Refer to the Business Combination note 32 for more information.

	Ownership	Revenues (100%)	Profit/(loss) (100%)	Share of joint venture's net loss recognised
<b>2013</b>				
Healthcare at Home Australia	68%*	43,547	(1,475,937)	(986,305)
		<u>43,547</u>	<u>(1,475,937)</u>	<u>(986,305)</u>
<b>2012</b>				
Healthcare at Home Australia	65%	34,226	(1,590,860)	(1,034,059)
		<u>34,226</u>	<u>(1,590,860)</u>	<u>(1,034,059)</u>

\* At 30 June 2013, the ownership interest was 100%.

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2013

**11 Property, plant and equipment**

<i>In AUD</i>		Consolidated				
	Note	Land and buildings	Plant and equipment	Motor vehicles*	Capital work in progress	Total
<b>Cost or deemed cost</b>						
Balance at 1 July 2011		18,007,286	5,753,962	712,202	504,178	24,977,628
Additions		99,312	455,176	388,426	110,941	1,053,855
Disposals		(2,085)	(233,845)	(44,000)	-	(279,930)
Transfers from WIP		(199,060)	750,419	-	(551,359)	-
Balance at 30 June 2012		<u>17,905,453</u>	<u>6,725,712</u>	<u>1,056,628</u>	<u>63,760</u>	<u>25,751,553</u>
Balance at 30 June 2012		17,905,453	6,725,712	1,056,628	63,760	25,751,553
Additions		101,632	645,300	-	10,857	757,789
Additions through business combinations	32	-	74,757	-	-	74,757
Disposals		-	(47,832)	(148,500)	-	(196,332)
Capital work in progress written off		-	-	-	(15,100)	(15,100)
Balance at 30 June 2013		<u>18,007,085</u>	<u>7,397,937</u>	<u>908,128</u>	<u>59,517</u>	<u>26,372,667</u>
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2011		2,816,910	3,793,216	151,086	-	6,761,212
Depreciation for the year		333,267	777,466	179,923	-	1,290,656
Disposals		(2,085)	(211,833)	(11,294)	-	(225,212)
Balance at 30 June 2012		<u>3,148,092</u>	<u>4,358,849</u>	<u>319,715</u>	<u>-</u>	<u>7,826,656</u>
Balance at 1 July 2012		3,148,092	4,358,849	319,715	-	7,826,656
Depreciation for the year		400,092	706,965	182,441	-	1,289,498
Disposals		-	(28,039)	(65,504)	-	(93,543)
Balance at 30 June 2013		<u>3,548,184</u>	<u>5,037,775</u>	<u>436,652</u>	<u>-</u>	<u>9,022,611</u>
<b>Carrying amounts</b>						
At 1 July 2011		15,190,376	1,960,746	561,116	504,178	18,216,417
At 30 June 2012		<u>14,757,361</u>	<u>2,366,863</u>	<u>736,913</u>	<u>63,760</u>	<u>17,924,897</u>
At 1 July 2012		14,757,361	2,366,863	736,913	63,760	17,924,897
At 30 June 2013		<u>14,458,901</u>	<u>2,360,162</u>	<u>471,476</u>	<u>59,517</u>	<u>17,350,056</u>

\* Held under hire purchase agreements - refer to note 16.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 12 Intangible assets

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<i>Goodwill</i>			
Balance at 1 July		12,139,569	12,341,227
Acquisition through business combination	32	421,874	-
Effect on changes to deferred consideration payable to Nationwide Vendor		-	(201,658)
Balance at 30 June		<u>12,561,443</u>	<u>12,139,569</u>
<i>Customer contracts and licences</i>			
Balance at 1 July		304,816	698,893
Acquisition through business combination	32	152,574	-
Amortisation		(56,280)	(394,077)
Balance at 30 June		<u>401,110</u>	<u>304,816</u>
<i>Property equity interest</i>			
Balance at 1 July		86,500	86,500
Balance at 30 June		<u>86,500</u>	<u>86,500</u>
<i>Software development - CIBIS/Technology One</i>			
Balance at 1 July		3,039,986	-
Acquisitions		18,890	-
Transfer from capital work in progress		49,916	3,257,291
Amortisation		(596,298)	(217,305)
Balance at 30 June		<u>2,512,494</u>	<u>3,039,986</u>
<i>Software development - IT Outsourcing and infrastructure</i>			
Balance at 1 July		636,670	777,162
Acquisitions		60,058	32,211
Acquisitions through business combination	32	71,809	-
Amortisation		(190,229)	(172,703)
Balance at 30 June		<u>578,308</u>	<u>636,670</u>
<i>Capital work in progress</i>			
Balance at 1 July		217,766	2,215,013
Acquisitions		-	1,260,044
Transfer to software development		(49,916)	(3,257,291)
Capital work in progress written off		(167,850)	-
Amortisation		-	-
Balance at 30 June		<u>-</u>	<u>217,766</u>
<i>Total intangible assets</i>			
Balance at 1 July		16,425,307	16,118,795
Acquisition through business combination	32	646,257	-
Effect on changes to deferred consideration payable to Nationwide Vendor		-	(201,658)
Acquisitions		78,948	1,292,255
Amortisation		(842,807)	(784,085)
Capital work in progress written off		(167,850)	-
Balance at 30 June		<u>16,139,855</u>	<u>16,425,307</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 12 Intangible assets (continued)

Goodwill arose in the Australian Home Care Services Unit Trust controlled entity on the acquisition of the Homecare Victorian and New South Wales operations, Nationwide business, and on the acquisition of Healthcare At Home Australia Pty Ltd during the financial year.

The customer contracts arose in the Australian Home Care Services Unit Trust controlled entity on the acquisition of Bytham Pty Ltd (trading as Goldfields Attendant Care Services) on 23 November 2007 and acquisition of the Nationwide business during the financial year ended 30 June 2011. In addition, licences comprise licences held by Healthcare At Home Australia Pty Ltd.

The property equity interest relates to the Group's right to provide client accommodation of one room in a Support Accommodation property. The property equity interest was acquired in November 2006.

The software intangibles include ERP systems (CiBiS/Technology One). Development and software costs incurred to enhance the IT infrastructure to support the IT cloud environment are recorded as IT outsourcing and infrastructure assets.

#### **Impairment testing**

The carrying value of intangible assets, including goodwill, is tested annually for impairment by comparing the carrying value to the recoverable amount of each cash-generating unit using value in use calculations. Cash-generating units ("CGU") have been determined based on the geographic location of clients and internal management reporting used to measure performance. The cash-generating units comprise the Victorian and NSW Homecare ("Community care") operations, the Nationwide Health and Aged Care Services ("Nationwide") operations, Healthcare At Home operations and their associated intangible asset balances, inclusive of goodwill assets, are allocated as follows:

- |                                 |                  |
|---------------------------------|------------------|
| • Community care operations     | \$8,278,538 (i)  |
| • Nationwide operations         | \$6,267,397 (ii) |
| • Healthcare At Home operations | \$646,257 (iii)  |

The Company's (MSL) intangible assets at 30 June 2013 were \$947,663 (2012: \$1,266,149).

#### (i) Community care operations

The calculations use cashflows projections based on actual current operating results and the business plan for the 2014 financial year. Terminal cash flows are extrapolated using a 2 per cent growth rate (2012: 2 per cent), which is consistent with the long-term average growth rate for the home care nursing and attendant care industry. A pre-tax discount rate of 20 per cent (2012: 20 per cent) has been used in discounting the projected cashflows. The cash flow projections are most sensitive to changes in the volume of carer hours in respect of income earned, hourly rates and the anticipated change in salary costs. The carrying value of the Community care CGU included its proportional share of software costs in respect of CiBiS and IT outsourcing development costs, that were allocated based on their share of revenue.

Despite the adoption of conservative assumptions the discounted cash flows determined for each cash generating unit are in excess of the carrying value of goodwill and associated assets and therefore a reasonably possible change in key assumptions would not cause the aggregate of the cash-generating units carrying amounts to exceed the aggregate of their recoverable amounts.

#### (ii) Nationwide operations

The value in use calculation prepared for the Nationwide operations was based on the same composition of value in use calculations, using its own cash flow projections and an equivalent discount rate applied. Reasonably possible changes in assumptions did not result in any impairment of intangible assets.

#### (iii) Healthcare At Home operations

In view of the recent acquisition on 29 June 2013, the recoverable value of the Healthcare At Home operations CGU will be formally revisited in the 2014 financial year.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 13 Trade and other receivables

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Current</b>			
Trade receivables		7,146,902	6,820,454
Receivables due from related entities	26	388,969	1,628
Trade receivables - accrued income		657,770	910,704
Prepayments		643,040	461,713
Restricted deposit		-	469,428
Other receivables		509,733	552,215
Loan to equity accounted investee	26	-	56,752
		<u>9,346,414</u>	<u>9,272,893</u>

Trade receivables are shown net of an allowance for impairment losses of \$252,103 (2012: \$146,009) for the Group.

### 14 Available-for-sale financial assets

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
<b>Non current</b>		
Equity and debt securities at fair value	3,467,803	3,908,280
	<u>3,467,803</u>	<u>3,908,280</u>

### 15 Cash and cash equivalents

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
Cash on hand	12,050	13,310
Bank balances	2,391,844	1,167,046
Cash and cash equivalents	2,403,894	1,180,356
Bank overdraft	(1,904,764)	(2,712,571)
Cash and cash equivalents in the statement of cash flows	<u>499,130</u>	<u>(1,532,215)</u>

The interest rate charged on the bank overdraft was 9.57% at 30 June 2013 (2012: 10.61%).

### 16 Loans and borrowings

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
<b>Current</b>		
Hire purchase liability	220,330	249,630
	<u>220,330</u>	<u>249,630</u>
<b>Non-current</b>		
Hire purchase liability	291,468	510,155
	<u>291,468</u>	<u>510,155</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 16 Loans and borrowings (continued)

#### Hire purchase liabilities

Hire purchase liabilities of the Group are payable as follows:

	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012
Less than one year	257,262	(36,932)	220,330	306,306	(56,676)	249,630
Between one and five years	328,509	(37,041)	291,468	585,771	(75,616)	510,155
	<u>585,771</u>	<u>(73,973)</u>	<u>511,798</u>	<u>892,077</u>	<u>(132,292)</u>	<u>759,785</u>

The effective interest rate charged on hire purchase agreements is 11.6% (2012: 11.8%). The hire purchase agreements mature between 2013 and 2017.

#### Financing facilities

The financing facilities provided by Westpac comprise transactional service arrangements and the working capital line of credit.

In AUD

	Consolidated	
	2013	2012
<b>Financing facilities</b>		
Line of credit - secured	4,250,000	4,250,000
<b>Facilities utilised at reporting date</b>		
Bank overdraft	1,904,764	2,712,571
Bank guarantees	177,085	154,000
	<u>2,081,849</u>	<u>2,866,571</u>
<b>Facilities not utilised at reporting date</b>		
Line of credit - secured	2,168,151	1,383,429

#### Financing arrangements:

- The line of credit of the consolidated entity is secured over the Company's property at 54 Railway Road, Blackburn and a fixed and floating charge over the assets of the Australian Home Care Services Unit Trust.
- Interest on any drawn line of credit is charged at prevailing market rates.
- The line of credit is available by either commercial bills or business overdraft and bank guarantees.
- The line of credit expires on 30 November 2014 and is subject to covenant reporting requirements, including security arrangements and guarantees and indemnities provided by Multiple Sclerosis Limited.
- The face value of the bank overdraft utilised equates to its fair value.

Subsequent to balance date, Westpac advised the Group's line of credit was revised to a facility limit of \$2,300,000. Sufficient and recurring funding has been secured for the 2014 financial year enabling the Group to meet its short term financial obligations. See note 2(e).



# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 16 Loans and borrowings (continued)

#### Financing arrangements (continued)

The carrying amount of pledged property is as follows:

*In AUD*

	Consolidated	
	2013	2012
Freehold land	764,400	764,400
Building	3,603,534	3,902,454
Plant and equipment	749,305	852,250
Total pledged	<u>5,117,239</u>	<u>5,519,104</u>

### 17 Employee benefits

*In AUD*

#### Current

	Consolidated	
	2013	2012
Salaries and incentives	2,356,795	1,827,790
Liability for annual leave	6,637,602	6,221,231
Liability for long service leave	4,109,663	3,392,099
	<u>13,104,060</u>	<u>11,441,120</u>

#### Non-current

Liability for long service leave	1,155,319	1,351,731
	<u>1,155,319</u>	<u>1,351,731</u>
	<u>14,259,379</u>	<u>12,792,851</u>

### 18 Deferred income and funds in advance

*In AUD*

	Consolidated	
	2013	2012
Government funding received in advance	5,027,831	5,054,387
Government capital grants received in advance	511,774	520,725
Other income received in advance	1,960,831	1,109,396
	<u>7,500,436</u>	<u>6,684,508</u>

Deferred income and funds in advance consist of deferred government grants and income for specific purposes, the services for which have not yet been provided at balance date. In addition, at 30 June 2013, the Group has recorded a \$454,545 (2012: \$454,545) deferred income capital grant in respect of refurbishment and fit-out works for the Health One service planned at the Studdy Centre on the Lidcombe site.

### 19 Trade and other payables

*In AUD*

		Consolidated	
		2013	2012
Trade payables		1,935,130	1,685,420
Payables to related entities	26	106,016	-
Other trade payables and accrued expenses		3,335,025	3,084,511
Deferred consideration payable to Nationwide Vendor		-	583,901
Equity subscription payable to equity accounted investee	26	-	450,001
		<u>5,376,171</u>	<u>5,803,833</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 20 Provisions

<i>In AUD</i>	Consolidated	
	2013	2012
Balance at 1 July	629,569	-
Provisions made during the year - provision for restructuring	-	629,569
Provisions used during the year	(86,003)	-
Provisions written back during the year	(326,392)	-
Balance at 30 June	<u>217,174</u>	<u>629,569</u>

During the 2012 financial year, the Australian Home Care Services Unit Trust controlled entity committed to a plan to reduce overheads within its Community Care business. The plan was not fully implemented during 2013 as expected which resulted in \$326,392 being reversed against the provision.

### 21 Commitments

#### a) Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>In AUD</i>	Consolidated	
	2013	2012
Less than one year	2,055,805	2,423,899
Between one and five years	1,149,300	1,565,595
More than five years	-	-
	<u>3,205,105</u>	<u>3,989,494</u>

The Group leases shop and office premises, motor vehicles and equipment under operating leases expiring from two months to five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payment comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

During the year ended 30 June 2013, \$2,621,868 (2012: \$2,730,704) was recognised by the Group as an expense in the consolidated statement of surplus or deficit and other comprehensive income in respect of operating leases.

#### b) Financial commitments

##### i) Multiple Sclerosis Australia (MSA)

Multiple Sclerosis Australia (MSA), a related company, is owned by and operates solely for the benefit of its members, the State Multiple Sclerosis Societies (the State Societies).

As a member of MSA, MSL is committed to funding its respective share of MSA's annual operating costs.

##### ii) Australian Home Care Services Unit Trust

The Company has confirmed that it will provide sufficient financial support to the extent that the Company's banking facilities and other liquid investments permit, and that it has no present intention to call in or cancel its term loan receivable of \$1,300,000 (2012: \$1,300,000) at 30 June 2013 and bank guarantees provided on behalf of the Trust during the period of 12 months from the date of approval of the 2013 annual financial statements of the Australian Home Care Services Unit Trust.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 22 Members' guarantee and reserves

#### a) Members' guarantee

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$20 towards meeting any outstanding obligations of the Company.

At 30 June 2013 the number of members was 376 (2012: 392).

#### b) Reserves

##### *Bequest reserves*

The bequests reserve relates to the remaining undistributed balance of revenue received from contributions of assets outside the normal operations of the Group.

##### *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

### 23 Contingencies

The Group's property located at 54 Railway Road, Blackburn was partially funded by the State Government of Victoria ("the Department"). The contribution is secured by a Property Deed of Charge over the property. In the event that the building is no longer used for social or public benefit, the Department is entitled to a refund equivalent to 17% of the market value of the property on any day or, if the property is sold, 17% of the sale price.

The directors are of the opinion that provisions are not required in respect of the above mentioned matter as it is unlikely that MSL is in breach of the conditions of use or that the property will be sold or disposed of.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 24 Reconciliation of cash flows from operating activities

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Surplus/(deficit) for the year		(1,742,533)	402,710
Adjustments for:			
Depreciation and amortisation expense	11, 12	2,132,305	2,074,741
Plant and equipment written off		15,100	-
Intangible assets written off		167,850	-
(Write-back)/Provision for restructuring		(326,392)	629,569
Changes to deferred consideration payable to Nationwide Vendor		-	(321,290)
Loss on disposal of property, plant and equipment		25,929	5,723
Unwind of discount on receivable from Nationwide Vendor	8	-	(58,633)
Interest expense on payable to Nationwide Vendor	8	23,504	93,146
Unwind of discount on payable to equity accounted investee	8	-	40,205
Interest expense for hire purchase agreements	8	55,761	87,409
Share of losses of equity accounted investee	10	986,305	1,034,059
<b>Operating result before changes in working capital</b>		<b>1,337,829</b>	<b>3,987,639</b>
Change in trade and other receivables		(446,855)	(965,591)
Change in trade and other payables		(101,760)	(315,046)
Change in employee benefits		1,455,429	1,738,045
Change in deferred income		815,928	(6,297,503)
Change in provisions		(86,003)	-
<b>Net cash from/(used in) operating activities</b>		<b>2,974,568</b>	<b>(1,852,456)</b>

### 25 Key management personnel disclosures

#### Key management compensation

The key management personnel compensation included in 'carers and employee expenses' (see note 7), are as follows:

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits	4,117,068	3,499,367
	<b>4,117,068</b>	<b>3,499,367</b>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 26 Non key management personnel disclosures

#### Identity of related parties

The Group has a related party relationship with the entities listed below and the Company transacts with its subsidiary, Australian Home Care Services Unit Trust.

#### Transactions with related parties

During the year, payments for attendant care and respite care were paid to its subsidiary, Australian Home Care Services Unit Trust, by the Company amounting to \$238,719 (2012: \$237,122). In addition, the Company receives reimbursement from its subsidiary and pays for services and rental of premises set at normal market rates. These transactions were on normal commercial terms and conditions.

During the year, national subscription fees of \$566,874 (2012: \$263,236) were paid to Multiple Sclerosis Australia. Multiple Sclerosis Australia is the national body representing the state and territory MS Societies, which conducts national research, sponsorships and certain fundraising activities. Multiple Sclerosis Ltd is a member of Multiple Sclerosis Australia. In addition, research funding of \$346,500 (2012: \$519,156) was provided and accrued to Multiple Sclerosis Research Australia Limited.

#### Assets and liabilities with related parties

<i>In AUD</i>	Consolidated	
	2013	2012
Net receivable from Multiple Sclerosis Australia (MSA)	324,706	488
Net (payable to)/receivable from Multiple Sclerosis Research Australia (MSRA)	(16,743)	1,140
Net payable to Healthcare At Home Australia (HAH)	-	(393,249)
Net payable to Multiple Sclerosis WA (MSWA)	(25,010)	-
	<u>282,953</u>	<u>(391,621)</u>

All above amounts are non interest bearing and are expected to be paid within twelve months from the balance sheet date.

### 27 Economic dependency

The Group is dependent upon funding from the State and Federal Governments and the costs associated with service levels that exceed the Government funding is largely funded from fund raising activities.

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 28 Group entities

Parent entity	Country of incorporation	Ownership interest	
		2013	2012
Multiple Sclerosis Limited	Australia		
<b>Significant subsidiaries and their controlled entity</b>			
Ablecare Attendant Care Pty Ltd	Australia	100%	100%
Australian Home Care Services Pty Ltd	Australia	100%	100%
Australian Home Care Services Unit Trust	Australia	100%	100%
- Healthcare At Home Australia Pty Ltd	Australia	100%*	65%*

The Company's investments in controlled entities comprise the following:

	2013	2012
Ablecare Attendant Care Pty Ltd	2	2
Australian Home Care Services Pty Ltd	2	2
Australian Home Care Services Unit Trust	4,000,002	4,000,002
	<u>4,000,006</u>	<u>4,000,006</u>

\* During the 2013 financial year, Australian Home Care Services Unit Trust gained control over its equity accounted investee, Healthcare At Home Australia Pty Ltd. See note 32. The entity was equity accounted in the prior year as a result of the terms of the shareholder agreement which established joint shareholder control over financial and operating policies.

### 29 Auditors' remuneration

In AUD

#### Audit services

Auditors of the Company

*KPMG Australia:*

Audit and review of financial reports

	Consolidated	
	2013	2012
- Multiple Sclerosis Limited	68,340	67,000
- Australian Home Care Services including Nationwide	97,400	98,500
- Healthcare At Home Australia Pty Ltd	13,370	-
	<u>179,110</u>	<u>165,500</u>

#### Other services

Auditors of the Company

*KPMG Australia:*

Assistance with compilation of financial statements

Assistance with compilation of financial statements	22,740	22,300
Agreed upon procedures	13,460	26,905
Tax advice and compliance	15,000	-
IT assurance	-	25,000
Business performance assessment review	35,000	-
Other assurance services	6,780	5,150
	<u>92,980</u>	<u>79,355</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 30 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 usual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 31 Parent entity disclosures

<i>In AUD</i>	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
<i>Results of the parent entity</i>		
Deficit for the year	(1,408,563)	(391,405)
Other comprehensive income	470,512	(139,388)
Total comprehensive income for the year	<u>(938,051)</u>	<u>(530,793)</u>
 <i>Financial position of the parent entity at year end</i>		
Current assets	3,060,035	1,410,848
Total assets	28,438,587	28,056,606
Current liabilities	7,682,608	6,292,827
Total liabilities	8,061,320	6,741,288
 <i>Total equity of the parent entity at year end</i>		
Accumulated surplus	19,668,529	21,077,092
Fair value reserve	636,960	166,448
Bequest reserve	71,778	71,778
Total equity	<u>20,377,267</u>	<u>21,315,318</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2013

### 32 Business combinations

Australian Home Care Services Pty Ltd, trustee of Australian Home Care Unit Trust controlled entity ("the Trust") entered into a Joint Venture agreement with HAH Holdings (Europe) BV on the 8 April 2011 and established Healthcare At Home Australia Pty Ltd. At 30 June 2012, the Trust had 65% ownership, which was increased to 68% during the 2013 financial year. On 29 June 2013, the Trust acquired the remaining 32% share of Healthcare At Home Australia Pty Ltd. On this date, Healthcare at Home Australia Pty Ltd became the Trust's subsidiary.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

<i>In AUD</i>	<b>Fair value of assets and liabilities</b>
Cash and cash equivalents	97,396
Trade and other receivables	73,286
Property, plant and equipment	74,757
Intangibles	224,383
Trade and other payables	(685,198)
Employee liabilities	(11,100)
Net identifiable assets and liabilities acquired	<u>(226,476)</u>
Fair value of pre-existing equity interest held at acquisition date	<u>195,398</u>
Net consideration paid	<u>421,874</u>
Goodwill acquired on acquisition	<u>-</u>
Net consideration paid	<u>421,874</u>
Net consideration paid	-
Cash and cash equivalents acquired	97,396
Net cash inflow from business combination	<u>97,396</u>



# Multiple Sclerosis Limited and its controlled entities

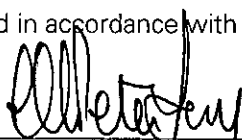
## Directors' declaration

In the opinion of the directors of Multiple Sclerosis Limited :

- (a) the consolidated financial statements and notes that are set out on pages 8 to 39, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given declarations on the integrity of the annual financial statements, risk management and internal control environment from management for the financial year ended 30 June 2013.

Signed in accordance with a resolution of directors.



Mr William Peter Day  
*Director*

Dated at Melbourne this 23 day of September 2013.



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Multiple Sclerosis Limited

I declare that, to the best of my knowledge and belief, in relation to our audit for the financial year ended 30 June 2013, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tony Batsakis  
Partner

Melbourne

23 September 2013



## **Independent auditor's report to the members of Multiple Sclerosis Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Multiple Sclerosis Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of surplus or deficit and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial

#### *Directors' responsibility 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 Disclosures Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



## **Independent auditor's report to the members of Multiple Sclerosis Limited (continued)**

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosures Requirements and the Corporations Regulations 2001.

KPMG

KPMG

Tony Batsakis  
*Partner*

Melbourne

23 September 2013