

**Multiple Sclerosis Limited and its  
controlled entities**

ABN 66 004 942 287

Annual Report

30 June 2016

# Multiple Sclerosis Limited and its controlled entities

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## Multiple Sclerosis Limited and its controlled entities

### Directors' report

**For the year ended 30 June 2016**

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 2016 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>
Mr William Peter Day LLB (Hons), M Administration, FCPA, FCA (Aust & UK), FAICD Independent Non-Executive Director Board Chair	Appointed - 4 December 2007 Extensive professional accounting and management experience. Appointed Chair on 18 December 2013. Member of Audit and Risk Committee. Chair of Nominations and Remuneration Committee Resident Melbourne
Ms Christina Isabelle Gillies Independent Non-Executive Director	Appointed - 9 September 2001 Extensive experience in mergers, acquisitions, organisational change and information technology. Appointed Chair from 22 November 2006 to 18 December 2013. Member of ICT Governance Committee Resident Melbourne
Mr Robert James Hunter McEniry MBA, MAICD Independent Non-Executive Director	Appointed - 23 May 1998 Extensive marketing and management experience. Member of Audit and Risk Committee. Resident Melbourne
Mr Garry Ross Whatley BBus (Accounting and Information Technology), MBA, GAICD Independent Non-Executive Director Deputy Chair	Appointed - 4 August 2009 Extensive experience in information technology, telecommunications and consulting services in the corporate and government sectors. Chair of ICT Governance Committee Member of Nominations and Remuneration Committee Resident Sydney
Mr Ian James Pennell AM Independent Non-Executive Director	Appointed - 3 July 2008 Extensive experience in management including the not for profit sector. Member of Nominations and Remuneration Committee Member of ACT Regional Advisory Board. Resident Canberra
Ian Gordon AO Major General 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 Sophie Eliza Jane Langshaw Bachelor of Commerce, CA, MAICD Independent Non-Executive Director	Appointed - 14 December 2012 Extensive experience in financial accounting and risk management. Appointed Chair of Audit and Risk Committee on 19 December 2013. Resident Sydney
Ms Karen Hayes FAICD Independent Non-Executive Director	Appointed - 18 December 2013 Extensive experience in management including the not for profit sector. Resident Melbourne
Ms Denise Cosgrove Bachelor of Arts (French), Post Grad Diploma (HRM) Independent Non-Executive Director	Appointed - 18 December 2013 Extensive experience in human resources development, management, strategy, planning and communications. Resident Melbourne

## Multiple Sclerosis Limited and its controlled entities

### Directors' report

For the year ended 30 June 2016

#### 1 Directors (continued)

Name, qualifications and independence status	Experience and special responsibilities
Mr Scott McCorkell Independent Non-Executive Director	Appointed - 18 December 2013 Extensive experience in management, marketing and branding. Member of the MS ICT Governance Committee. Resident Sydney
Mr Don Ferguson Masters Degree (Counselling) and Bachelor of Education (BEd) Independent Non-Executive Director	Appointed - 18 December 2013 Extensive experience in the health and not for profit sector. Member of Audit and Risk Committee. Resident Sydney
Mr Desmond Graham Dip Ap Sc (Nursing), Adv Cert MHN and MSc	Appointed - 24 June 2016 Extensive experience in health and not for profit sector. Resident Hobart
Ms Sharlene Brown Bachelor of Laws (LLB), Post grad in Legal Practice, AICD, Certificated Member of the Governance Institute of Australia	Appointed - 24 June 2016 Extensive experience in legal and not for profit sector. Resident Hobart

#### Directors' meetings

Director	Board Meetings		Audit Committee Meetings	
	Held*	Attended	Held*	Attended
Mr William Peter Day	14	13		
Ms Christina Isabelle Gillies	14	10		
Mr Robert James Hunter McEniry	14	12	6	3
Mr Garry Ross Whatley	14	12		
Mr Ian James Pennell AM	14	14		
Major General Ian Gordon AO	14	14		
Ms Sophie Eliza Jane Langshaw	14	13	6	6
Ms Karen Hayes**	8	5		
Ms Denise Cosgrove	14	12		
Mr Scott McCorkell	14	5		
Mr Don Ferguson**	8	5	3	2
Mr Desmond Graham	1	1		
Ms Sharlene Brown	1	1		

\* Meetings Director was eligible to attend

\*\* Approved leave of absence

#### 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:

- Ms Sophie Eliza Jane Langshaw (chair) - Independent Non Executive Director
- Mr Robert James Hunter McEniry - Independent Non Executive Director
- Mr Don Ferguson - Independent Non Executive Director
- Ms Shanna Souter - Independent Committee Member

Ms Shanna Souter attended four Audit and Risk Committee meetings whilst she was a member.

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

- Ms Robyn Hunter - Chief Executive Officer; B. Applied Science (Physio), MBA, GAICD
- Mr Jack Hanson - General Manger - Commercial Development; BAgSci (Hons), MBA, MEd, GIA(Cert), AdvDipPM, GAICD
- Ms Megan Kean - Finance Manager; B. Commerce, CPA

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

**For the year ended 30 June 2016**

### **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 *Australian Charities and Not-for-profits Commission Act 2012* and *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) 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 Jack Hanson. Mr Jack Hanson was appointed company secretary on the 18 December 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 and is registered with the ACNC. 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.

Through its subsidiary - Australian Home Care Services ("AHCS") and its controlled entities:

- Provide clients with responsive and appropriate in-home care services;
- Provide personal care and independent living and practical assistance around the home, respite and overnight care;
- Provide cleaning and laundry services; and
- Provide in-home health care services.

# Multiple Sclerosis Limited and its controlled entities

## Directors' report

For the year ended 30 June 2016

### 5 Operating and financial review

	Consolidated	
	2016	2015
	\$	\$
Total revenue and other income from operations (excluding bequest income)	120,083,025	123,869,689
(Deficit)/surplus from operations (excluding bequest income)	(2,421,006)	1,859,026
Bequest income	2,828,405	2,203,570
Profit on sale of property, plant and equipment	3,099,078	9,308
Net financing income	543,373	363,407
Net surplus for the year	4,049,850	4,435,311

#### MSL

MSL faced an operating environment undergoing significant changes during the 30 June 2016 financial year, and the Company is responding to increased competition within fundraising operations as well as changes to government funding. The underlying modest operating deficit (excluding bequest income) resulted from increased competition in key fundraising events coupled with a one off impact due to adverse weather conditions. The net surplus for the 30 June 2016 financial year is a result of greater than budgeted bequest income and the sale of the Footscray site which contributed \$3,044,019 to the Company's result. Furthermore, we have achieved operating expenditure savings contributing to the positive financial result.

Fundraising revenues are derived from diverse sources and activities; the portfolio of initiatives reflects the Company's assessment of those programs likely to be most relevant and effective within its operating environment. The programs are also influenced by its traditions, history, and its constituency but not least by the competitive market place. The costs of fundraising include both direct and indirect costs. Different forms of fundraising require different levels of support, investment and cost. Furthermore in any one year the costs of a particular type of fundraising may have been influenced by the need for greater short term investment (e.g. growing a direct mail out database to generate future prospective income) or by the low or high cost ratio inherent (some activities require greater investment and thus generate lower margin than others). Some general costs may be included which can also reflect the advocacy, marketing and awareness raising inherent in some forms of fundraising. In all cases fundraising costs are managed as carefully and judiciously as possible to achieve the maximum possible net outcome for the benefit of recipients.

#### AHCS

The operating deficit for AHCS, comprising Australian Home Care Services Unit Trust and its controlled entity, for the year was \$2,292,888 (2015 surplus: \$1,952,569). AHCS experienced a loss in revenue from both the Community Care division and Nationwide Aged Care Cleaning divisions contributing to the operating deficit.

### 6 Likely developments

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

- Deepen and validate our understanding of the needs of clients, families and carers to create better experiences for people affected by multiple sclerosis;
- Examine the relevance and viability of services to all areas including rural and regional areas as well as invest in technology to improve service reach;
- Leverage our knowledge of MS to advance partnership opportunities, service improvements and service availability;
- Improve fundraising effectiveness to support service delivery and research;
- Complete the integration of MS Tasmania into the Group and expand services to that state; and
- Continue to build a capable and sustainable organisation that delivers responsive and effective services to people affected by multiple sclerosis.

Following completion of the business case pertaining to the asset transfer of the Lidcombe site to MSL in the previous financial year, the Company continues to work with the NSW Government to achieve a positive outcome.

Information on likely developments in the operations of the AHCS has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Significant reforms are taking place in the disability and aged care sectors, the most significant of these being the National Disability Insurance Scheme. The current state based Government funding is currently transitioning from block funding to individualised funding, which has the potential to impact the quantum of the Group's funding and the operational capacity of the Group.

## Multiple Sclerosis Limited and its controlled entities

### Directors' report

For the year ended 30 June 2016

#### 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.

#### 11 Events subsequent to reporting date

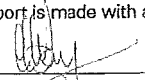
Subsequent to 30 June 2016, the Group signed a deed with the Multiple Sclerosis Society of Tasmania (MST) where the operations of the Group and MST will be merged in the 2017 financial year. MST's assets, liabilities and surplus/deficit generated will be consolidated into the Group's 30 June 2017 financial statements and as a result there is no impact on the current financial statements.

Other than the matter noted above, 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 40 and forms part of the directors' report for financial year ended 30 June 2016.

This report is made with a resolution of the directors:

  
Mr William Peter Day

Director

Dated at Melbourne this 29<sup>th</sup> day of September 2016.

Multiple Sclerosis Limited and its controlled entities  
Consolidated statement of surplus or deficit and other comprehensive income  
For the year ended 30 June 2016

In AUD	Note	Consolidated	
		2016	2015
<b>Revenue</b>			
Fundraising			
Donation campaigns		2,950,183	2,385,735
Bequests		2,828,405	2,203,570
Art Union		863,001	847,166
Events		6,048,867	7,731,538
Community fundraising		514,157	408,825
Readathon		245,737	297,930
Retail - sale of goods		1,822,860	1,851,849
Other fundraising income		8,746	33,004
Rendering of services - MSL			
Residential and respite care			
Government funding		7,286,578	7,209,596
Fees from residents		285,356	204,359
Other income		361,906	88,258
Community teams			
Government funding		5,171,937	4,915,583
Other income		76,868	220,236
Disability Day programs		850,866	698,025
Employment services		3,547,234	3,510,351
Other client services income		1,628,036	1,458,002
Corporate services			
Management fees		20,256	70,116
Rental income		130,149	65,907
Other corporate services income		34,920	19,194
Rendering of services - AHCS			
Homecare and acute nursing income		46,606,487	47,490,099
Cleaning and laundry income		41,398,897	44,091,024
<b>Total revenue</b>		<b>122,681,446</b>	<b>125,800,367</b>
Other income		229,984	272,892
<b>Total revenue and other income from operating activities</b>		<b>122,911,430</b>	<b>126,073,259</b>
<b>Expenditure</b>			
(a) Expenditure incurred by Multiple Sclerosis Limited:			
Fundraising expenses		7,270,872	7,168,051
Residential care expenses		8,681,249	7,920,196
Community care expenses		4,911,728	4,951,969
Disability day programs expenses		858,248	948,792
Employment services expenses		3,585,318	3,458,439
Other client services expenses		3,521,023	3,553,034
Retail expenses		1,719,430	1,912,464
Corporate expenses		196,488	347,103
Other expenses		1,011,310	1,216,634
(b) Expenditure incurred by AHCS			
Homecare and acute nursing direct expenses		32,329,218	32,212,945
Cleaning and laundry direct expenses		36,842,364	35,068,085
Corporate and regional overhead expenses		21,576,783	23,252,951
<b>Total expenditure</b>		<b>122,504,031</b>	<b>122,010,663</b>
<b>Surplus from operations</b>		<b>407,399</b>	<b>4,062,596</b>
Profit on sale of property, plant and equipment	31	3,099,078	9,308
Finance income		574,708	412,004
Finance expense		31,335	48,597
<b>Net finance income</b>		<b>543,373</b>	<b>363,407</b>
Tax expense	3(m)/9	-	-
<b>Total surplus for the year</b>		<b>4,049,850</b>	<b>4,435,311</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to surplus or deficit:			
Available-for-sale financial assets - net change in fair value		(242,061)	149,686
Available-for-sale financial assets - reclassified to surplus or deficit		-	(1,608)
<b>Total other comprehensive income</b>		<b>(242,061)</b>	<b>148,078</b>
<b>Total comprehensive income for the year</b>		<b>3,807,789</b>	<b>4,583,389</b>

The notes on pages 12 to 38 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 2016

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents	14	14,192,270	7,891,794
Other financial assets	14	2,629,132	4,673,850
Trade and other receivables	12	8,288,729	7,082,232
Non-current assets held for sale	31	-	1,102,988
<b>Total current assets</b>		<u>25,110,131</u>	<u>20,750,864</u>
Property, plant and equipment	10	17,276,287	15,582,591
Intangible assets	11	13,400,710	13,845,908
Available-for-sale financial assets	13	4,224,117	4,223,249
Other receivables	12	1,166,445	1,053,520
<b>Total non-current assets</b>		<u>36,067,559</u>	<u>34,705,268</u>
<b>Total assets</b>		<u>61,177,690</u>	<u>55,456,132</u>
<b>Liabilities</b>			
Bank overdraft	14	51,097	-
Trade and other payables	18	5,100,546	5,003,854
Employee benefits	16	13,424,823	13,583,549
Deferred income and funds in advance	17	10,696,850	8,142,079
Hire purchase liabilities	15	110,668	56,480
Provisions	19	129,400	255,357
<b>Total current liabilities</b>		<u>29,513,384</u>	<u>27,041,319</u>
Employee benefits	16	974,974	1,459,741
Hire purchase liabilities	15	-	126,091
Provisions	19	266,874	214,312
<b>Total non-current liabilities</b>		<u>1,241,848</u>	<u>1,800,144</u>
<b>Total liabilities</b>		<u>30,755,232</u>	<u>28,841,463</u>
<b>Net assets</b>		<u>30,422,458</u>	<u>26,614,669</u>
<b>Members' funds</b>			
Accumulated surplus		29,641,633	25,591,783
Fair value reserve	21(b)	709,047	951,108
Bequest reserve	21(b)	71,778	71,778
<b>Total members' funds</b>		<u>30,422,458</u>	<u>26,614,669</u>

The notes on pages 12 to 38 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 2016

*In AUD*

	<b>Accumulated surplus</b>	<b>Fair value reserve</b>	<b>Bequest reserve</b>	<b>Total</b>
<b>Consolidated</b>				
<b>Balance at 30 June 2014</b>	21,156,472	803,030	71,778	22,031,280
<b>Total comprehensive income for the year</b>				
Net surplus for the year	4,435,311	-	-	4,435,311
Other comprehensive income	-	148,078	-	148,078
Total comprehensive income for the year	4,435,311	148,078	-	4,583,389
<b>Balance at 30 June 2015</b>	25,591,783	951,108	71,778	26,614,669
<b>Balance at 1 July 2015</b>	25,591,783	951,108	71,778	26,614,669
<b>Total comprehensive income for the year</b>				
Net surplus for the year	4,049,850	-	-	4,049,850
Other comprehensive income	-	(242,061)	-	(242,061)
Total comprehensive income for the year	4,049,850	(242,061)	-	3,807,789
<b>Balance at 30 June 2016</b>	29,641,633	709,047	71,778	30,422,458

The notes on pages 12 to 38 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 2016

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		136,710,420	141,090,401
Cash payments in the course of operations		(132,982,929)	(133,494,052)
Cash received from operations		<u>3,727,491</u>	<u>7,596,349</u>
Interest and distribution income		481,085	412,004
Interest paid on bank overdraft		(11,644)	(34)
<b>Net cash flows from operating activities</b>	<b>23</b>	<u><u>4,196,932</u></u>	<u><u>8,008,319</u></u>
<b>Cash flows from investing activities</b>			
Cash inflow/(outflow) from investment in other financial assets		2,044,718	(3,668,126)
Proceeds from sale of property, plant and equipment		4,271,098	12,448
Proceeds from sale of available-for-sale financial assets		129,443	80,411
Reinvestment in available-for-sale financial assets		(154,882)	(130,214)
Payments for acquisition of available-for-sale assets		(123,866)	(99,075)
Payments for acquisitions of intangible assets		(420,632)	(2,111)
Payments for acquisitions of property, plant and equipment		(3,601,838)	(1,623,198)
<b>Net cash flows used in investing activities</b>		<u><u>2,144,041</u></u>	<u><u>(5,429,865)</u></u>
<b>Cash flows from financing activities</b>			
Payment of hire purchase liabilities		(91,594)	(139,843)
<b>Net cash flows used in financing activities</b>		<u><u>(91,594)</u></u>	<u><u>(139,843)</u></u>
Net increase in cash and cash equivalents		6,249,379	2,438,611
Cash and cash equivalents at beginning of the year		7,891,794	5,453,183
<b>Cash and cash equivalents at end of the year</b>	<b>14</b>	<u><u>14,141,173</u></u>	<u><u>7,891,794</u></u>

The notes on pages 12 to 38 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 2016

### 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 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'consolidated entity').

### 2 Basis of preparation

#### (a) Statement of compliance

In the opinion of the directors, the Company is not publicly accountable. 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'), the Australian Charities and Not-for-profits Commission Act 2012 and the Australian Charities and Not-for-profits Commission Regulation 2013.

The financial statements were approved by the Board of Directors on 29<sup>th</sup> September 2016.

#### (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 items:

- determination of the recoverable value of goodwill (refer to note 11).

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements

**For the year ended 30 June 2016**

### **2 Basis of preparation (continued)**

#### **(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 recorded a net operating surplus of \$407,399 for the year ended 30 June 2016 (2015: \$4,062,596) and as at that date, the Group had a net current asset deficiency of \$4,403,253 (2015: \$6,290,455) and net assets of \$30,422,458 (2015: \$26,614,669).

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

- the Group continued to achieve an operating surplus in the 2016 financial year and a positive cash balance is budgeted in the 2017 financial year;
- there is an availability of highly liquid investments which can be realised to fund operational expenditures if required;
- the Group has access to a secured line of credit of \$3,649,763 at 30 June 2016 as detailed in Note 15 if required; and
- during the financial year, the Group has sold the land and buildings located at Footscray for \$4,250,000 resulting in additional cash reserves to fund future operational expenditure if required.

In addition, the net current asset deficiency at 30 June 2016 is primarily due to the classification of employee benefits and deferred income liabilities totalling \$24,121,673 (2015: \$21,725,628), as the accounts are contractually required to be settled within 12 months of balance date. Based on past experience the directors do not anticipate that these liabilities will be settled in full in cash over the next 12 months and in addition the Group has secured sufficient and recurring funding to enable the Group to meet its short term obligations.

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

**For the year ended 30 June 2016**

#### **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.

##### **(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. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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 Group controls an entity when it is exposed to, or has right to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2016

#### **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 that form part thereof, 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) 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 receivable, including other financial assets*

Loans and receivables, including other financial assets comprising fixed interest term deposits, 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.

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. Cash balances and call deposits with original maturity of more than 3 months are classified as other financial assets.

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

**For the year ended 30 June 2016**

#### **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, 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 Group'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 2016

### 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
• make good assets	8 years (least term)

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

#### (d) Non current assets held for sale

Non current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at lower of their carrying amount and their fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in surplus or deficit. Gains are not recognised in excess of any cumulative impairment loss.

#### (e) 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 2016

### 3 Significant accounting policies (continued)

#### (e) Intangible assets (continued)

##### (ii) Software development

Software development involve the cost of developing the Group's ERP systems (CIBIS/TechnologyOne) whereas IT outsourcing and infrastructure are 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 and have a finite useful life, 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 follows:

#### 2016

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

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

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2016

#### **3 Significant accounting policies (continued)**

##### **(f) 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.

##### **(g) 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, which can be measured reliably.

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 2016

### 3 Significant accounting policies (continued)

#### (g) 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 being the current replacement cost of the asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefit of the asset. 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.

#### (h) 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 high quality corporate 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 are 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 2016

#### **3 Significant accounting policies (continued)**

##### **(i) 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.

##### **(j) 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. Significant risk and rewards of ownership are transferred at the point of sale after payment has been made by the customer.

###### *(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 as disclosed in note 6 comprises in-home care, personal care, cleaning, nursing and laundry services.

###### *(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 2016

#### **3 Significant accounting policies (continued)**

##### **(j) Revenue (continued)**

###### *(v) Services of volunteers*

A substantial number of volunteers donate a significant amount of their time to the activities of Multiple Sclerosis Limited. However, as no objective basis exists for recording and assigning fair values to these services, they are not reflected in the financial statements as either revenue or expenses.

###### *(vi) 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.

##### **(k) 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.

##### **(l) 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 2016

### 3 Significant accounting policies (continued)

#### (m) Income tax

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

#### (n) 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.

#### (o) 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 2015 have not been applied in preparing these financial statements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

##### (i) *AASB 9 Financial Instruments (2014)*

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 9.

##### (ii) *AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 15.

##### (iii) *AASB 16 Leases*

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16.

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

**For the year ended 30 June 2016**

#### **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 2016

### 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 2016

### 6 Income and expenditure by nature

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
Revenue - Multiple Sclerosis		34,676,062	34,219,245
Other income		229,984	282,200
Rendering of services - Australian Home Care Services		88,005,384	91,581,123
Employee expenses	7	(100,862,708)	(101,406,130)
Research expense		(316,800)	(315,000)
MSA contribution		(546,724)	(530,800)
Impairment of loan to related parties		-	(250,000)
Operating lease costs	20	(2,873,450)	(2,684,204)
Depreciation and amortisation expense		(2,704,938)	(2,541,793)
Other expenses		(15,199,411)	(14,282,737)
Surplus from operating activities		<u>407,399</u>	<u>4,071,904</u>
Property, plant and equipment - profit on disposal		3,099,078	-
Financial income	8	574,708	412,004
Financial expense	8	(31,335)	(48,597)
Net financing income	8	<u>543,373</u>	<u>363,407</u>
Surplus before tax		4,049,850	4,435,311
Income tax expense	9	-	-
Surplus for the year		<u>4,049,850</u>	<u>4,435,311</u>

### 7 Carers and employee expenses

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Wages and salaries and other employee expenses	93,846,414	94,302,369
Contribution to defined contribution superannuation funds	7,371,483	7,542,988
Movement in liability for annual leave	(405,510)	(92,478)
Movement in liability for long service leave	50,321	(346,749)
	<u>100,862,708</u>	<u>101,406,130</u>

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

**8 Net financing income**

**Recognised in surplus or deficit**

*In AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Interest income on available-for sale financial assets and bank deposits	285,008	234,512
Distribution income on available-for-sale financial assets	196,078	177,492
Gain on disposal of available-for-sale financial assets	93,622	-
Finance income	<u>574,708</u>	<u>412,004</u>
Available-for-sale financial assets - loss on disposal	-	(26,608)
Interest expense on bank overdraft	(11,644)	(34)
Interest expense on hire purchase agreements	(19,691)	(21,955)
Finance expense	<u>(31,335)</u>	<u>(48,597)</u>
Net finance income recognised in profit or loss	<u>543,373</u>	<u>363,407</u>

**9 Income tax expense**

*In AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Surplus before tax	<u>4,049,850</u>	<u>4,435,311</u>
Income tax expense using the domestic corporation tax rate of 30% (2015: 30%)	(1,214,955)	(1,330,593)
Exempt income not subject to income tax	1,214,955	1,330,593
	<u>-</u>	<u>-</u>

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

10 Property, plant and equipment

<i>In AUD</i>	<i>Note</i>	Consolidated					Total
		Land and buildings	Plant and equipment	Motor vehicles*	Capital work in progress	Make good	
<b>Cost or deemed cost</b>							
Balance at 1 July 2014		18,234,646	7,953,155	890,668	52,497	-	27,130,966
Additions		121,684	1,270,433	15,000	216,081	210,000	1,833,198
Disposals		-	(105,568)	(114,000)	-	-	(219,568)
Transfers to assets held for sale		(1,335,944)	-	-	-	-	(1,335,944)
Balance at 30 June 2015		17,020,386	9,118,020	791,668	268,578	210,000	27,408,652
Balance at 1 July 2015		17,020,386	9,118,020	791,668	268,578	210,000	27,408,652
Additions		100,040	3,012,992	114,849	368,707	5,250	3,601,838
Disposals		-	(1,321,093)	(66,847)	-	-	(1,387,940)
Transfers to assets from WIP		-	179,581	-	(179,581)	-	-
Balance at 30 June 2016		17,120,426	10,989,500	839,670	457,704	215,250	29,622,550
<b>Depreciation and impairment losses</b>							
Balance at 1 July 2014		4,337,300	5,714,558	624,284	-	-	10,676,142
Depreciation for the year		440,015	1,048,486	110,816	-	2,628	1,601,945
Disposals		-	(105,070)	(114,000)	-	-	(219,070)
Transfers to assets held for sale		(232,956)	-	-	-	-	(232,956)
Balance at 30 June 2015		4,544,359	6,657,974	621,100	-	2,628	11,826,061
Balance at 1 July 2015		4,544,359	6,657,974	621,100	-	2,628	11,826,061
Depreciation for the year		373,920	1,356,970	105,553	-	2,665	1,839,108
Disposals		-	(1,255,784)	(63,122)	-	-	(1,318,906)
Balance at 30 June 2016		4,918,279	6,759,160	663,531	-	5,293	12,346,263
<b>Carrying amounts</b>							
At 1 July 2014		13,897,346	2,238,597	266,384	52,497	-	16,454,824
At 30 June 2015		12,476,027	2,460,046	170,568	268,578	207,372	15,582,591
At 1 July 2015		12,476,027	2,460,046	170,568	268,578	207,372	15,582,591
At 30 June 2016		12,202,147	4,230,340	176,139	457,704	209,957	17,276,287

\* AHCS motor vehicles held under hire purchase agreements - refer to note 15.

During the 2015 financial year, land and building amounting to \$1,102,988 transferred to assets held for sale and these assets were sold in the 2016 financial year (refer to note 31).

At 30 June 2016, properties with carrying amount of \$4,821,874 (2015: \$5,113,414) were held as security for financing arrangements of the Group. See Note 15.

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

**11 Intangible assets**

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<i>Goodwill</i>			
Balance at 1 July		12,139,569	12,139,569
Balance at 30 June		<u>12,139,569</u>	<u>12,139,569</u>
<i>Customer contracts and licences</i>			
Balance at 1 July		267,075	321,244
Acquisitions		-	2,111
Amortisation		(56,280)	(56,280)
Balance at 30 June		<u>210,795</u>	<u>267,075</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		1,317,450	1,914,972
Write-off		(2,760)	-
Amortisation		(597,520)	(597,522)
Balance at 30 June		<u>717,170</u>	<u>1,317,450</u>
<i>Software development - IT Outsourcing and infrastructure</i>			
Balance at 1 July		35,314	321,360
Acquisitions		420,632	-
Write-on		2,760	-
Amortisation		(212,030)	(286,046)
Balance at 30 June		<u>246,676</u>	<u>35,314</u>
<i>Total intangible assets</i>			
Balance at 1 July		13,845,908	14,783,645
Acquisitions		420,632	2,111
Amortisation		(865,830)	(939,848)
Balance at 30 June		<u>13,400,710</u>	<u>13,845,908</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2016

### 11 Intangible assets (continued)

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

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 Supported Accommodation property. The property equity interest was acquired in November 2006.

The software intangibles include ERP systems (CiBiS/Technology One) and development and software costs of the Group incurred to enhance the IT infrastructure (IT outsourcing and software).

#### **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 are allocated as follows:

		2016 (\$)	2015 (\$)
• Community Care operations	(i)	6,433,543	6,959,398
• Nationwide operations	(ii)	6,531,752	6,211,315
• Healthcare At Home operations		-	69,032
Total		12,965,295	13,239,745

The Company's (MSL) intangible assets at 30 June 2016 were \$435,415 (2015: \$606,163).

#### (i) Community care operations

The calculations use cashflows projections based on actual current operating results and the business plan for the 2016 financial year. Terminal cash flows are extrapolated using a 2% growth rate (2015: 2%), 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 15 per cent (2015: 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.

#### (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 a discount rate applied of 15 percent (2015: 15 percent). The cashflow projections are most sensitive to projected increases in revenue and gross margins to be earned.

Despite the adoption of conservative assumptions the discounted cash flows determined for these cash generating units 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.

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

**12 Trade and other receivables**

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Trade and other receivables - current</b>			
Trade receivables		5,423,348	4,308,868
Receivables due from related entities	25	291	24,438
Trade receivables - accrued income		1,011,740	1,357,494
Prepayments		575,843	640,496
Other receivables		1,277,507	750,936
		<u>8,288,729</u>	<u>7,082,232</u>
<b>Other receivables - non-current</b>			
Prepayments		742,673	636,068
Other receivables - performance bonds		423,772	417,452
		<u>1,166,445</u>	<u>1,053,520</u>

Trade receivables are shown net of an allowance for impairment losses of \$71,022 (2015: \$75,492) for the Group.

**13 Available-for-sale financial assets**

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Non current</b>		
Equity and debt securities at fair value	4,224,117	4,223,249
	<u>4,224,117</u>	<u>4,223,249</u>

**14 Cash and cash equivalents, including other financial assets**

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash and cash equivalents</b>		
Cash on hand	7,100	10,950
Bank balances	14,185,170	7,880,844
Cash and cash equivalents in the statement of financial position	<u>14,192,270</u>	<u>7,891,794</u>
Bank overdrafts used for cash management purposes	(51,097)	-
Cash and cash equivalents in the statement of cash flows	<u>14,141,173</u>	<u>7,891,794</u>
<b>Other financial assets</b>		
Fixed interest term deposits	2,629,132	4,673,850
	<u>2,629,132</u>	<u>4,673,850</u>

**15 Loans and borrowings**

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Current</b>		
Hire purchase liability	110,668	56,480
<b>Non-current</b>		
Hire purchase liability	-	126,091

Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

**15 Loans and borrowings (continued)**

**Hire purchase liabilities**

Hire purchase liabilities of the Group are payable as follows:

	<b>Future minimum lease payments 2016</b>	<b>Interest 2016</b>	<b>Present value of minimum lease payments 2016</b>	<b>Future minimum lease payments 2015</b>	<b>Interest 2015</b>	<b>Present value of minimum lease payments 2015</b>
Less than one year	112,999	(2,331)	110,668	70,778	(14,298)	56,480
Between one and five years	-	-	-	128,729	(2,638)	126,091
	<u>112,999</u>	<u>(2,331)</u>	<u>110,668</u>	<u>199,507</u>	<u>(16,936)</u>	<u>182,571</u>

**Financing facilities**

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

*In AUD*

**Financing facilities**

	<b>Consolidated 2016</b>	<b>2015</b>
Line of credit - secured	<u>4,225,250</u>	<u>4,225,250</u>

**Facilities utilised at reporting date**

Bank overdraft	55,844	-
Bank guarantees	<u>540,885</u>	<u>607,727</u>
	<u>596,729</u>	<u>607,727</u>

**Facilities not utilised at reporting date**

Line of credit - secured	<u>3,628,521</u>	<u>3,617,523</u>
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**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 commercial bills, bank overdraft and bank guarantees.
- The line of credit expires on 30 November 2016 and is subject to covenant reporting requirements, including security arrangements and guarantees and indemnities provided by Multiple Sclerosis Limited.



Multiple Sclerosis Limited and its controlled entities

Notes to the financial statements (continued)

For the year ended 30 June 2016

**15 Loans and borrowings (continued)**

**Financing arrangements (continued)**

The carrying amount of pledged property of the Group is as follows:

*In AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Freehold land	764,400	764,400
Building	3,336,896	3,483,725
Plant and equipment	720,578	865,289
Total pledged	<u>4,821,874</u>	<u>5,113,414</u>

Additional pledged assets owned by the controlled entity, AHCS are \$25,116,453 (2015: \$26,982,742).

**16 Employee benefits**

*In AUD*

**Current**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Salaries and incentives	2,270,840	2,559,144
Liability for annual leave	6,696,752	7,102,262
Liability for long service leave	4,457,231	3,922,143
	<u>13,424,823</u>	<u>13,583,549</u>

**Non-current**

Liability for long service leave	974,974	1,459,741
	<u>974,974</u>	<u>1,459,741</u>
	<u>14,399,797</u>	<u>15,043,290</u>

**17 Deferred income and funds in advance**

*In AUD*

**Current**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Government funding received in advance	7,407,392	4,730,587
Government capital grants received in advance	562,478	526,065
Other income received in advance	2,726,980	2,885,427
	<u>10,696,850</u>	<u>8,142,079</u>

Deferred income and funds in advance consist of deferred government grants and donations or funding received for specific purposes, the services for which have not yet been provided at balance date.

**18 Trade and other payables**

*In AUD*

**Current**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Trade payables	2,134,553	2,249,429
Payables to related entities	93,697	147
Other trade payables and accrued expenses	2,872,296	2,754,278
	<u>5,100,546</u>	<u>5,003,854</u>

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# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2016

### 19 Provisions

*In AUD*

	Legal	Make-good	Redundancies	Total
Balance at 1 July 2014	-	157,817	-	157,817
Provisions made during the year	-	285,396	100,610	386,006
Provisions used during the year	-	(74,144)	-	(74,144)
Provisions written back during the year	-	-	-	-
Balance at 30 June 2015	-	369,059	100,610	469,669
Balance at 1 July 2015	-	369,059	100,610	469,669
Provisions made during the year	100,000	24,943	232,960	357,903
Provisions used during the year	-	(127,128)	(304,170)	(431,298)
Provisions written back during the year	-	-	-	-
Balance at 30 June 2016	100,000	266,874	29,400	396,274
As at 30 June 2016				
Current	100,000	-	29,400	129,400
Non-current	-	266,874	-	266,874
	100,000	266,874	29,400	396,274

During the 2015 financial year, the Australian Home Care Services Unit Trust recognised a provision for make good for their new lease premises to reinstate to their original condition in addition to provision for make good for their existing premises.

A provision for redundancies was recognised and used as part of the plan to consolidate selected regional offices to the new lease premise.

As a result of a client injury, the Australian Home Care Services Unit Trust recognised a provision for legal costs.

### 20 Commitments

#### a) Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>In AUD</i>	Consolidated	
	2016	2015
Less than one year	2,544,722	1,983,982
Between one and five years	5,391,661	4,100,130
More than five years	1,598,506	1,820,937
	9,534,889	7,905,049

The Group leases shop and office premises, motor vehicles and equipment under operating leases expiring from two months to eight years. Leases generally provide the Group 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 2016, \$2,873,450 (2015: \$2,684,204) 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.

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2016

#### **21 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 2016 the number of members was 342 (2015: 407).

##### **b) Reserves**

###### *Bequest reserves*

The bequest 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.

#### **22 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. Should the Group sell the Blackburn property, it would make an application to the Department to transfer the deed of charge to an alternative property asset.

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 2016

### 23 Reconciliation of cash flows from operating activities

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Surplus for the year		4,049,850	4,435,311
Adjustments for:			
Depreciation and amortisation expense	10, 11	2,704,938	2,541,793
Provision for restructuring and redundancy	19	232,960	100,610
Provision for make-good	19	24,943	75,386
Provision for legal expenses	19	100,000	-
(Gain) on disposal of property, plant and equipment		(3,099,078)	(11,953)
(Gain)/Loss on disposal of available-for-sale financial assets	8	(93,622)	26,608
Interest expense for hire purchase agreements	8	19,691	21,955
<b>Operating result before changes in working capital</b>		<u>3,939,682</u>	<u>7,189,710</u>
Change in trade and other receivables		(1,319,422)	464,039
Change in trade and other payables		96,692	(144,039)
Change in employee benefits		(643,493)	(1,079,378)
Change in deferred income		2,554,771	1,652,131
Change in provisions		(431,298)	(74,144)
<b>Net cash from operating activities</b>		<u><u>4,196,932</u></u>	<u><u>8,008,319</u></u>

### 24 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>2016</b>	<b>2015</b>
Short-term employee benefits	2,794,453	3,048,512
	<u><u>2,794,453</u></u>	<u><u>3,048,512</u></u>

## Multiple Sclerosis Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2016

#### 25 Other related party transactions and balances

##### 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.

##### Multiple Sclerosis Australia (MSA)

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

As a result all surplus funds of MSA spent are expended on behalf of the State Societies and MSA is also funded by contributions by the State Societies.

##### Transactions with related parties

Multiple Sclerosis Ltd is a member of Multiple Sclerosis Australia. During the year, national subscription fees of \$546,724 (2015: \$530,800) were paid to Multiple Sclerosis Australia. Multiple Sclerosis Australia is the national body representing the state and territory MS Societies, which conducts national advocacy and communications. Furthermore, in prior financial years, \$250,000 of funds were contributed to Multiple Sclerosis Australia to provide financial assistance to Multiple Sclerosis Society of South Australia and Northern Territory Incorporated. In addition, research funding of \$316,800 (2015: \$315,000) was provided to Multiple Sclerosis Research Australia Limited.

##### Assets and liabilities with related parties

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Net (payable)/receivable from Multiple Sclerosis Australia (MSA)	(63,761)	21,081
Net (payable)/receivable from Multiple Sclerosis Research Australia (MSRA)	(29,645)	3,210
Net receivables owing	<u>(93,406)</u>	<u>24,291</u>

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

#### 26 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 2016

### 27 Group entities

Parent entity	Country of incorporation	Ownership interest	
		2016	2015
Multiple Sclerosis Limited	Australia		
<b>Significant subsidiaries and their controlled entity</b>			
Ablecare Attendant Care Pty Ltd (Dormant)	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%	100%

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

	2016	2015
Ablecare Attendant Care Pty Ltd (Dormant)	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>

### 28 Auditors' remuneration

In AUD

#### Audit services

Auditors of the Company

*KPMG Australia:*

Audit and review of financial reports

	Consolidated	
	2016	2015
- Multiple Sclerosis Limited	95,590	70,250
- Australian Home Care Services including Nationwide	84,300	92,965
	<u>179,890</u>	<u>163,215</u>

#### Other services

Auditors of the Company

*KPMG Australia:*

Assistance with compilation of financial statements	23,640	23,380
Agreed upon procedures	25,200	13,200
Other taxation services	25,222	-
Assistance with compilation of taxation	4,120	4,000
Other assurance services	34,700	12,030
	<u>112,882</u>	<u>52,610</u>

# Multiple Sclerosis Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2016

### 29 Subsequent events

Subsequent to 30 June 2016, the Company signed a deed with the Multiple Sclerosis Society of Tasmania (MST) where the operations of the Company and MST will be merged in the 2017 financial year. MST's assets, liabilities and surplus/deficit generated will be consolidated into the Company's 30 June 2017 financial statements and as a result there is no impact on the current financial statements.

Other than the matter noted above, 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.

### 30 Parent entity disclosures

<i>In AUD</i>	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
<i>Results of the parent entity</i>		
Surplus for the year	6,342,738	4,435,310
Other comprehensive income	(242,061)	148,078
Total comprehensive income for the year	<u>6,100,677</u>	<u>4,583,388</u>
<i>Financial position of the parent entity at year end</i>		
Current assets	18,010,466	10,503,499
Total assets	43,703,672	36,197,569
Current liabilities	10,602,253	9,194,353
Total liabilities	10,988,327	9,582,901
<i>Total equity of the parent entity at year end</i>		
Accumulated surplus	31,934,520	25,591,782
Fair value reserve	709,047	951,108
Bequest reserve	71,778	71,778
Total equity	<u>32,715,345</u>	<u>26,614,668</u>

Investments in controlled entities are recorded in the Company's statement of financial position at their acquisition cost.

#### *Loan and receivable from Australian Home Care Services Unit Trust*

The Company has confirmed that it has no present intention to call in or cancel its loan receivable of \$1,300,000 (2015: \$1,300,000), amount receivable of \$2,329,449 (2015: \$2,329,449) at 30 June 2016 and bank guarantees provided on behalf of the Trust and demand cash distribution to the extent that the Trust is able to fund such amounts without breaching any contractual banking arrangements for a period of 12 months from the date of approval of the 2016 annual financial statements of the Australian Home Care Services Unit Trust.

### 31 Non-current assets held for sale

In June 2015, management committed to a plan to sell its land and buildings located at Footscray, Victoria. Accordingly, the property was presented as assets held for sale in the prior year. The carrying amount of the property at 30 June 2015 was \$1,102,988. Efforts to sell the property started in June 2015 and the sale occurred in this current financial year where a gain of \$3,044,019 was recognised in surplus and deficit.

## Multiple Sclerosis Limited and its controlled entities

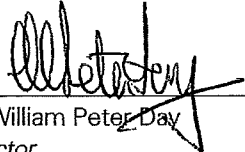
### Directors' declaration

In the opinion of the directors of Multiple Sclerosis Limited (the Company):

- (a) the Company is not publicly accountable;
- (a) the consolidated financial statements and notes that are set out on pages 8 to 38 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - (i) giving a true and fair view of the financial position of the Group as at 30 June 2016 and of its performance for the financial year ended on that date; and
  - (ii) complying with the Australian Accounting Standards - Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the 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 2016.

Signed in accordance with a resolution of directors.



Mr William Peter Day  
Director

Dated at Melbourne this 29<sup>th</sup> day of September 2016.





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

To: the directors of 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 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG  
KPMG



Antoni Cinanni  
Partner

Melbourne

29 September 2016



## **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 2016, 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 31 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 year.

This audit report has been prepared for the members of the Company in pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)*.

### *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 ACNC. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

### *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 Group'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 Group'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.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC, 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.



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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

### *Auditor's opinion*

In our opinion, the financial report of the Group is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosures Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

K PMG  
KPMG



Antoni Cinanni  
*Partner*

Melbourne

29 September 2016