Multiple Sclerosis Limited
and its controlled entitities

ABN 66 004 942 287

General Purpose Financial Report

30 June 2020

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The Directors present their report, together with the consolidated financial statements of the Group comprising Multiple Sclerosis Limited ("the Company" or "MSL"), and its controlled entities for the financial year ended 30 June 2020 and the auditor's report thereon.

1. Multiple Sclerosis Limited Board of Directors

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

Board Chair

Mr Garry Ross Whatley BBus (Accounting and Information Technology), MBA, GAICD Extensive experience in information technology, telecommunications and consulting services in the corporate and government sectors	Independent Non-Executive Director Appointed – 4 August 2009 Board Chair from 1 August 2019 Deputy Chair from 19 December 2013 to 31 July 2019 Chair Nominations, Remuneration & Governance Committee

Board Deputy Chair

Ms Karen Hayes FAICD Extensive experience in management including the not for profit sector	Independent Non-Executive Director Appointed – 18 December 2013 Deputy Chair from 1 January 2020 Member Nominations, Remuneration & Governance Committee Chair Fundraising and Marketing Committee

Directors

Mr Ron Brent LLB (ANU), Bec (ANU) Extensive Board and regulatory experience	Independent Non-Executive Director Appointed – 28 June 2017 Member of the Audit & Risk Committee
Ms Alison Brown BBus (Accounting), BA, CA, GAICD Extensive experience in finance and business, as an external auditor and in the not-for-profit sector	Independent Non-Executive Director Appointed – 20 April 2020 Chair of the Audit & Risk Committee from April 2020
Ms Sharlene Brown Bachelor of Laws (LLB), Post grad in Legal Practice, AICD, Certificated Member of the Governance Institute of Australia Extensive experience in legal and not for profit sector	Independent Non-Executive Director Appointed – 24 June 2016 Member of the Audit & Risk Committee Chair of Community Engagement Committee

1. Multiple Sclerosis Limited Board of Directors (continued)

Directors (continued)

Ms Christina Isabelle Gillies Extensive experience in mergers, acquisitions, organisational change and information technology	Independent Non-Executive Director Appointed – 9 September 2001 Board Chair from 22 November 2006 to 18 December 2013 Chair of the Infrastructure Committee from September 2019 to May 2020
Associate Professor Desmond Graham Dip Ap Sc (Nursing), Adv Cert MHN and MSc Extensive experience in health and not for profit sector	Independent Non-Executive Director Appointed – 24 June 2016 Chair of Program, Policy & Practice Committee
Mr Scott McCorkell Extensive experience in management, marketing and branding	Independent Non-Executive Director Appointed – 18 December 2013 Member of Fundraising & Marketing Committee Member of Infrastructure Committee
Ms Adriana Zuccala BA, LLB (Hons), MCommrclLaw, FAICD Extensive experience in the financial services, property and legal sectors	Independent Non-Executive Director Appointed – 29 May 2019 Chair of the Infrastructure Committee from July 2020

Former Directors between 1 July 2019 – 30 June 2020

Mr William Peter Day LLB (Hons), M Administration, FCPA, FCA (Aust & UK), FAICD Extensive professional accounting and management experience	Independent Non-Executive Director Appointed – 4 December 2007 Resigned – 5 December 2019 Board Chair from 18 December 2013 to 31 July 2019 Deputy Chair 1 August 2019 to 5 December 2019
Ms Sophie Langshaw Bachelor of Commerce, CA, Member of the IIA Extensive experience in financial accounting and internal audit	Independent Non-Executive Director Appointed – 14 December 2012 Resigned – 19 February 2020 Chair of the Audit & Risk Committee from February 2014 to February 2020
Mr Ian James Pennell AM Extensive experience in management including the not for profit sector	Independent Non-Executive Director Appointed – 3 July 2008 Resigned – 6 November 2019 Member of Nominations, Remuneration & Governance Committee to August 2019

1. Multiple Sclerosis Limited Board of Directors (continued)

Independent Board Committee Members

Mr Mathew Cleeve	Appointed 2 July 2018
David Nowell	Appointed November 2016

Directors' and Audit & Risk Committee meetings

	Board Meetings		Audit & Risk Committee Meetings	
	Held(1)	Attended	Held	Attended
Directors				
Mr Garry Ross Whatley	11	10	-	-
Ms Karen Hayes	11	9	-	-
Mr Ron Brent	11	7	6	6
Ms Alison Brown (6)	2	2	3	3
Ms Sharlene Brown	11	9	6	5
Ms Christina Isabelle Gillies	11	10	-	-
Assoc Prof Desmond Graham	11	10	-	-
Mr Scott McCorkell	11	9	-	-
Ms Adriana Zuccala	11	10	-	-
Mr William Peter Day (3)	6	2	-	-
Ms Sophie Langshaw (5)(2)	4	1	3	2
Mr Ian James Pennell (4)	5	3	-	-
Independent Board Committee Members				
Mr Mathew Cleeve	-	-	6	4
Mr David Nowell	-	-	6	5

(1) Meetings Director was eligible to attend
(2) Approved leave of absence from October 2019 to February 2020
(3) Resigned - December 2019
(4) Resigned - November 2019
(5) Resigned - February 2020
(6) Appointed - April 2020

Directors' Emoluments

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

2. Principal activities

The Group is a not-for-profit community service organisation incorporated under the provisions of the Corporations Act as a company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission (ACNC). The principal activities of the Group are to:

a) Provide services for people with multiple sclerosis (MS) and other related neurological conditions;
b) Provide information and support to people living with MS, families, carers, volunteers, health professionals and researchers;
c) Promote community awareness of MS and its impact on individuals, families and the community;
d) Advocate on behalf of people living with MS including their families and carers; and
e) Raise funds to support the provision of services and activities outlined above.

3. Review of operations and results of those operations

Key developments

During the year, the Group adopted a new five-year Strategic Plan - Strategic Directions 2020 – 2025. The Strategy was built on the outcomes from extensive stakeholder consultation with MSL staff, key stakeholders and the MS community to better understand what the future should look like for MSL. The Board considered:

- What the organisation should look like in the future, in order to have the biggest impact on people living with MS, by responding to new and emerging reforms – in order to remain a viable, relevant and sustainable organisation.
- The landscape in which the organisation had operated was evolving – and at a rapid pace, especially in terms of the expectations that customers have of their service providers.
- The journey for those with MS continues to change: People living with MS now have a better quality of life as a result of advancements in healthcare.
- The introduction of the National Disability Insurance Scheme (NDIS) and changes to Aged Care have shifted the service landscape and changes to funding arrangements as a result of extensive reform, meaning organisations need to consider how to maintain their financial sustainability under new terms.
- The shift towards customer-centricity with the customer of today being much more discerning and demanding of their service providers.

The Strategy is supported by four strategic pillars.

- ***Person Centred***

  Firstly an organisation which is driven by effective customer interactions with services tailored to the needs of clients, not only those living with MS but also other neurological disorders and services for those over 65 via My Aged Care. By broadening the service scope to support people with other neurological disorders the Board is seeking to provide, in turn, greater access to specialized services, overall for people living with MS.

3. Review of operations and results of those operations (continued)

Key developments (continued)

- ***Virtual and Physical Hubs***

  The strategy will transform the public face of MSL over the next 5 years through the creation of will be both virtual and physical hubs, with development across all of our States and territories of wellbeing centres in both key metro and regional locations. At the same time the delivery of services through telehealth and employment programs will become a major part the new face of MSL. These facilities and services will be strongly focused on the delivery of allied health programs where the Board sees the greatest potential for growth into the future.

  The Board will also look to expand MSL's Specialist Disability Accommodation offering, an area where there is demand and having capacity to grow additional revenue streams.

- ***Partnerships***

  The third pillar surrounds partnership – critical in this will be the development of more effective referral pathways to increase our pool of clients to broader neurological and aged care. This will include better referrals from neurologists, clinicians, my aged care, acute health and other providers. Wellbeing centres will be ideal opportunities to expand on co-located with complementary services to support clients with a wholistic care response. Partnership will also be important when we consider capital and fundraising, including government, private development opportunities, trust and foundations, health providers and tertiary institutions.

- ***Growth***

  The fourth pillar involves a focus on growth in scale of service reach, both in terms of the number of participants and the types of services offered into the future through the NDIS, Aged Care and our employment services. The Board considers growth to greater scale as instrumental in terms of future sustainability.

Progress to date on the delivery of the Board's Strategic Plan has included:

- The delivery of a new MSL Operating Model
- Progressed Lidcombe and ACT Redevelopments
- Development of People & Culture Strategy
- Commenced Brand re-fresh Strategy
- Maintained Disability Royal Commission Response program
- Delivered new Quality Framework
- Transitioned Mission Services to new Engagement and Well Being Structure
- Wellbeing Service Model under development
- Initiated Capital Campaign
- Commenced re-structure of Services Marketing capacity
- Completed Aged Care – Approved Provider Registration Application

3. Review of operations and results of those operations (continued)

Overview of the Group

The composition of the Group has changed significantly over the last three financial years.

The sale of the Australian Home Care Services and Nationwide Health & Aged Care Services businesses were completed in 2019.

Multiple Sclerosis Services Limited (MSSL), a controlled entity of MSL, remains to act as a trustee to facilitate the realisation of residual working capital assets and payment of liabilities that were not part of the sale process.

The results of the Group's continuing operations represent the operations of the Company.

	Note	2020 $	2019 $
Total revenue and other income from continuing operations	8	51,358,622	51,742,774
Surplus from operating activities		3,179,875	957,069
(Deficit)/surplus from financing activities		(167,378)	977,485
Surplus from sale of property, plant and equipment		1,691	4,240
Impairment of property, plant and equipment	15	(757,186)	(1,721,116)
Impairment of onerous lease	26	(1,316,406)	-
Impairment of intangible assets	16	(86,500)	-
Net surplus for the year from continuing operations		854,096	217,678
Surplus from discontinued operations	11	-	3,389,097
Net surplus for the year		854,096	3,606,775

The net surplus for the year has been calculated in accordance with Australian Accounting Standards (AASBs). This is the first set of the Group's annual financial statements in which AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases have been applied. Under the transition method chosen, comparative information has not been restated. The 2020 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standards are described in Note 32.

3. Review of operations and results of those operations (continued)

Operating activities

The Group's surplus from continuing operating activities during the year was $3,179,875 (2019: $957,069) which comprise the following activities:

	2020 $	2019 $
Income generating activities		
Bequest Program	3,585,732	1,538,117
Fundraising activities	1,402,191	556,361
Event surpluses and associated fundraising	275,305	2,376,188
Lotteries	1,670,892	1,163,382
MS Shops	(407,172)	147,392
Investment activities	(118,858)	830,063
	6,408,090	6,611,503
Engagement and wellbeing activities		
MS Information and Education Services	(1,271,479)	(835,530)
MS Peer Support and Volunteer Programs	(233,217)	(135,535)
Financial Assistance Program	(15,958)	(60,005)
Research and advocacy	(2,375,285)	(1,364,152)
	(3,895,939)	(2,395,222)
Service delivery activities	740,392	(571,899)
Other projects and development activities	(72,668)	(2,687,313)
Net surplus for the year from continuing operations	3,179,875	957,069

Income generating activities are those activities undertaken by the Group primarily to generate funds to support the Group's Engagement and Wellbeing programs now and into the future. These include revenue generated through fundraising events and campaigns, philanthropic donations and profits from other revenue generating activities such as MS Community Shops and lotteries.

Fundraising got off to a strong start with a successful Ms Readathon campaign exceeding its target in August 2019. The start of 2020 saw the impact of the bushfires in NSW and Victoria, followed by the coronavirus (COVID-19), which required the Company to close MS Community Shops from the end of March to June 2020. More significantly, all live fundraising events were either cancelled, postponed or converted to virtual events from March 2020. Although this caused significant reductions in events income in 2019-20, the success of lotteries, cash appeals and MS Readathon somewhat minimised the impact.

The standout result of the year was in receipts of gifts-in-wills, which benefitted from a generous $1.2M gift in early 2020. While Gifts-in Wills are naturally an unpredictable income source, performance in 2019-20 has continued to justify our commitment to ongoing investment in the Bequest Program as part of our 2020 – 2025 Strategic Plan.

3. Review of operations and results of those operations (continued)

Operating activities (continued)

Overall, our approach of 'hedging' our fundraising revenue by being involved in multiple streams of income assisted in providing stability as COVID-19 negatively affected our higher profile fundraising activities later in the financial year.

Engagement and Wellbeing programs are those activities that the Group undertakes to support people affected by MS and which are typically reliant on funds raised from other sources.

Research and advocacy include both activities undertaken directly by the Group and activities undertaken in conjunction with Multiple Sclerosis Australia (MSA) and Multiple Sclerosis Research Australia (MSRA). During the course of the year MSL contributed $1.3M directly MSRA to support research into remyelination and neuroprotective mechanisms, which will help identify potential treatments that are able to repair damage for people with MS. The ultimate aims of this work are to develop treatments for progressive MS and to reverse disability.

Service delivery activities are those activities undertaken by the Group which deliver a service to people affected by MS or other neurological conditions and which are primarily funded by fee for service arrangements or government grants. Over recent years, the funding environment has changed significantly as a result of the introduction of the National Disability Insurance Scheme (NDIS).

The Group's transition to the NDIS is now complete with NDIS service offerings now including Support Coordination, Allied Health, Plan Management, Supported Independent Living and Specialised Disability Accommodation. The continued improvement in the result emanating from service delivery activities during the year reflects the Group's continued investment in the scale of these NDIS services.

Impairment of property, plant and equipment

An impairment loss of $757,186 (2019: $1,721,116) was recognised in respect of property, plant and equipment. This is attributable to the decrease in the recoverable value of the property located in Beverly Hills. The market value of this property was lower than its carrying value. This property is used by the Group to provide Supported Independent Living and Specialised Disability Accommodation services. The impairment loss has been provided for in the Statement of Surplus or Deficit and Other Comprehensive Income.

Impairment of right of use asset

Under AASB 16, a lessee applies AASB 136 Impairment of Assets to determine whether a right of use (ROU) asset is impaired.

This application has been made to the Group's leased premises at Toorak Road, Hartwell which at 30 June 2019 was classified as 'onerous'. The premises remain unutilised by MSL and efforts to either sub-let or assign the lease have been unsuccessful. The Group has determined that this ROU asset is impaired. Therefore, an impairment loss of $1,316,406 (2019: Nil) was recognised in respect of this onerous lease (refer to Note 26).

3. Review of operations and results of those operations (continued)

Discontinued operations – Applicable for the 2019 financial year

During the financial year ended 30 June 2018, the Company entered into a conditional contract to sell all of the shares in its controlled entity, Australian Home Care Services Pty Ltd (AHCS), as the mechanism to sell the Home Care business operated by AHCS as Trustee of the Australian Home Care Services Trust (AHCS Trust). The sale was successfully completed on 30 July 2018.

During the financial year ended 30 June 2019, the Group sold the Nationwide Health & Aged Care Cleaning Services business previously operated by the AHCS Trust. The operations of both the Home Care business and the Cleaning Services business were classified as discontinued operations (see note 11).

The net surplus of the Group for the year ended 30 June 2019 includes the discontinued operations of the Home Care business for the period 1 July 2018 to 30 July 2018 and the discontinued operations of the Cleaning Services business for the period 1 July 2018 to 28 February 2019. Also included in the Group's net surplus for the year ended 30 June 2019 is the net surplus generated by the sale of the two businesses.

	Note	2020 $	2019 $
Deficit from the discontinued home care business		-	(91,036)
Deficit from the discontinued cleaning services business		-	(2,436,129)
Net surplus resulting from sale of controlled entities		-	5,916,262
		-	3,389,097

The Group's decision to divest the home care and cleaning services business occurred because the Group was unwilling to make the considerable capital investment required to eliminate the exposure to ongoing operating losses which would ultimately have impacted the Group's ability to effectively support people affected by multiple sclerosis.

4. Future Developments

Any information regarding possible developments in the operations of Multiple Sclerosis Limited and its controlled entity Multiple Sclerosis Services Limited in future financial years that may result in unreasonable prejudice to the Group, has not been disclosed in this report.

5. Impact of COVID-19

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies. The Group has considered the impact of COVID-19 and associated market volatility in preparing its financial statements. The impact of COVID-19 has resulted in the application of further judgement in the areas in which significant judgement already occurs. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the relatively short period of time between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future.

As a consequence of COVID-19 and in preparing these consolidated financial statements, Management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- assessed the carrying values of its assets and liabilities and determined any impact that may occur as a result of market inputs and variables impacted by COVID-19; and
- considered the impact of COVID-19 on the Group's financial statement disclosures.

The impact of COVID-19 on the delivery of the first year of our organisational strategy has been significant. In February 2020, the Board approved a comprehensive Business Plan and a set of supporting Budget Parameters to drive the organisation significantly forward in the delivery of the new strategy, adopted in 2019. By the end of March, the focus shifted to address impact of the COVID-19 Pandemic.

While MSL managed to transform itself to deliver services virtually, short-term financial sustainability was impacted significantly with (as noted above) fundraising through events and retail income significantly impacted together with a reduction in investment income with the portfolio value reducing almost $1M in value at 30 June 2020.

Fortunately, these impacts were largely offset by increased income from Bequests, Government Stimulus and increased revenue from Residential services.

The organisation was effectively able to transition to a remote working environment facilitated by established IT systems and infrastructure. This enabled service delivery to in generally continue through virtual delivery with the exception of some Allied Health programs.

Management also established an effective Crisis Management/Business Continuity Response to manage stakeholder relationships including the development of detailed impact reports to support the Board's monitoring of impact, along with a comprehensive COVID-19 Safe Plan and revised organisational Business Continuity Plan.

The organisation has implemented staff Return to Work and External Stakeholder Road Map guidelines based on the advice from government and health authorities to support the resumption of face-to-face services and client contacts. Ongoing monitoring of financial impact of COVID-19 by the Board to determine time frame for initiating currently deferred Strategic Initiatives.

6. Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. 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.

7. Dividends

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

8. Significant change in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review except as outlined in this Directors' report.

9. Indemnification and insurance of officers and auditor's 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:

a) 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

b) 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.

10. Events subsequent to reporting date

Between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of Directors, to affect significantly the operations or the state of affairs of the Group in future financial years except as noted below.

The COVID-19 pandemic has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various material ways.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results and liquidity restraints. At the date of this report, the Group expects:

- higher staffing costs in order to maintain and operate residential services safely;
- a significant reduction in fundraising income due to the shift to virtual delivery of live fundraising events which typically generates over $2.2 million in revenue for the Group;
- extended closure of Community shops from August 2020; and
- a reduction in the number and frequency some face-to-face client services in order to meet social distancing requirements.

10. Events subsequent to reporting date (continued)

Notwithstanding the above expectations, the Group has strong operational cash flows and has access to investment funds classified as non-current financial assets of $17.4M. The Group will continue as a going concern.

11. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 59 and forms part of the Directors' report for the financial year ended 30 June 2020.

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

Mr Garry Ross Whatley

Director

Dated at Melbourne on the 7th day of October 2020.

Consolidated statement of surplus or deficit and other comprehensive income

For the year ended 30 June 2020

In AUD	Note	2020 $	2019 * $
Continuing Operations			
Revenue		36,261,124	38,530,850
Other income		15,097,498	13,211,924
Total revenue and other income from operating activities	8	51,358,622	51,742,774
Expenditure			
Employee expenses	9	25,093,582	22,643,709
Advertising and marketing		4,323,747	5,695,948
Rental expenses		291,118	2,586,862
Awards and prizes		4,757,063	6,826,215
Consultants		1,828,782	1,933,547
Client expenses		1,982,088	1,714,060
Depreciation	15,26	1,760,621	846,239
Amortisation	16	213,315	184,904
Impairment loss on trade receivables		95,238	38,657
MSA contribution	28	595,513	587,871
Research expenses		102,500	314,597
MSRA contribution	28	1,330,000	330,000
Other expenses		5,805,180	7,083,096
Total expenditure from operating activies		48,178,747	50,785,705
Surplus from operating activities		**3,179,875**	**957,069**
Finance income		1,040,788	977,485
Finance costs		(1,208,166)	-
Net finance (costs)/income	10	(167,378)	977,485
Surplus including finance activities		**3,012,497**	**1,934,554**
Surplus from sale of property, plant and equipment		1,691	4,240
Impairment of property, plant and equipment	15	(757,186)	(1,721,116)
Impairment of right of use asset	26	(1,316,406)	-
Impairment of intangible assets	16	(86,500)	-
Net surplus before income tax		**854,096**	**217,678**
Income tax expense	32(f)	-	-
Net surplus for the year from continuing operations		**854,096**	**217,678**
Discontinued Operations			
Surplus from discontinued operations	11	-	3,389,097
Net surplus for the year		854,096	3,606,775
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive income for the year		854,096	3,606,775

The notes on pages 19 to 57 are an integral part of these consolidated financial statements.

* See Note 31, the Group has initially applied AASB 16, AASB 15 and AASB 1058 at 1 July 2019. Under the transitional method chosen, comparative information has not been restated.

Consolidated statement of financial position

As at 30 June 2020

In AUD	Note	2020 $	2019 * $
Assets			
Cash and cash equivalents	12	13,376,758	6,045,107
Restricted cash		199,793	167,703
Trade and other receivables	13	3,651,748	2,393,639
Total current assets		17,228,299	8,606,449
Property, plant and equipment	15	14,573,642	24,080,241
Non current assets held for sale	14	9,477,300	-
Intangible assets	16	785,535	1,078,950
Investments	18	17,338,840	18,737,411
Trade and other receivables	13	400,000	-
Right-of-use assets	26	2,328,159	-
Total non-current assets		44,903,476	43,896,602
Total assets		62,131,775	52,503,051
Liabilities			
Trade and other payables	20	7,649,857	6,381,055
Contract liability	21	3,831,648	1,041,769
Employee benefits	22	4,128,565	2,621,739
Provisions	23	104,300	2,283,798
Lease liabilities	26	1,879,182	-
Total current liabilities		17,593,552	12,328,361
Deposit held in advance		505,000	-
Contract liability	21	-	3,467,680
Employee benefits	22	157,574	309,295
Lease liabilities	26	3,156,151	-
Total non-current liabilities		3,818,725	3,776,975
Total Liabilities		21,412,277	16,105,336
Net assets		40,719,498	36,397,715
Members' funds			
Retained earnings		40,416,250	35,991,967
Bequest reserves		303,248	405,748
Total members' funds		40,719,498	36,397,715

The notes on pages 19 to 57 are an integral part of these consolidated financial statements.

* See Note 31, the Group has initially applied AASB 16, AASB 15 and AASB 1058 at 1 July 2019. Under the transitional method chosen, comparative information has not been restated.

Consolidated statement of changes in equity

For the year ended 30 June 2020

In AUD	Note	Retained earnings * $	Fair value reserve $	Bequest reserve $	Total $
Balance at 30 June 2018		31,245,846	896,376	648,718	32,790,940
Adjustment on initial application of AASB 9, net of tax		896,376	(896,376)	-	-
Adjusted balance at 1 July 2018		32,142,222	-	648,718	32,790,940
Total comprehensive income for the year					
Net surplus for the year		3,606,775	-	-	3,606,775
Other comprehensive income / (deficit)		-	-	-	-
Total comprehensive income for the year		3,606,775	-	-	3,606,775
Transfers from bequest reserve to retained earnings		242,970	-	(242,970)	-
Balance at 30 June 2019		35,991,967	-	405,748	36,397,715
Balance at 30 June 2019		35,991,967	-	405,748	36,397,715
Adjustment on initial application of AASB 15, 1058 and 16	31	3,467,687	-	-	3,467,687
Adjusted balance at 1 July 2019		39,459,654	-	405,748	39,865,402
Total comprehensive income for the year					
Net surplus for the year		854,096	-	-	854,096
Total comprehensive income for the year		854,096	-	-	854,096
Transfers from bequest reserve to retained earnings		102,500	-	(102,500)	-
Balance at 30 June 2020		40,416,250	-	303,248	40,719,498

The notes on pages 19 to 57 are an integral part of these financial statements.

* See Note 31, the Group has initially applied AASB 16, AASB 15 and AASB 1058 at 1 July 2019. Under the transitional method chosen, comparative information has not been restated.

Consolidated statement of cash flows

For the year ended 30 June 2020

In AUD	Note	2020 $	2019 * $
Cash flows from continuing operating activities			
Cash receipts in the course of operations		52,490,399	57,826,049
Cash payments in the course of operations		(43,626,617)	(54,764,825)
Cash generated in the course of operations		8,863,782	3,061,224
Interest and dividend income received		461,040	569,600
Interest expense	10	(100,900)	-
Net cash flows from continuing operations		9,223,922	3,630,824
Net cash flows from discontinued operations		-	(3,184,165)
Net cash flows from operating activities		9,223,922	446,659
Cash flows from investing activities			
Proceeds from other financial assets		-	315,657
Reinvestment in investments		-	(531,075)
Proceeds/(payments) for investments		1,044,137	(6,450,628)
Proceeds for sale of held-for-sale property, plant & equipment		505,000	-
Payments for acquisition of intangible assets		(6,400)	-
Proceeds from sale of property, plant and equipment		38,678	10,310
Payments for acquisition of property, plant and equipment		(1,490,572)	(2,938,529)
Net cash from/(used in) investing activities - continuing operations		90,843	(9,594,265)
Net cash flows from investing activities - discontinued operations		-	3,503,180
Net cash from/(used in) investing activities		90,843	(6,091,085)
Cash flows from financing activities			
Payment of lease liabilities		(1,951,024)	-
Net cash flows used in financing activities		(1,951,024)	-
Net increase/(decrease) in cash and cash equivalents		7,363,741	(5,644,426)
Cash balance at beginning of the year		6,212,810	11,857,236
Cash balance at end of the year		13,576,551	6,212,810
Reconciliation of cash balance at end of the year			
Cash and cash equivalents	12	13,376,758	6,045,107
Restricted cash		199,793	167,703
Cash balance at end of the year		13,576,551	6,212,810

The notes on pages 19 to 57 are an integral part of these financial statements.

* See Note 31, the Group has initially applied AASB 16, AASB 15 and AASB 1058 at 1 July 2019. Under the transitional method chosen, comparative information has not been restated.

Notes to the consolidated financial statements

For the year ended 30 June 2020

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Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

1 Reporting entity

These consolidated financial statements comprise Multiple Sclerosis Limited (the Company) and its controlled entities (together referred to as the Group) and are as at and for the financial year ended 30 June 2020.

All entities comprising the Group are not-for-profit entities domiciled in Australia and registered with the Australian Charities and Not-for-profits Commission. Details of the controlled entities comprising the Group are included in Note 29.

2 Basis of accounting

In the opinion of the directors, the Group is not publicly accountable. These consolidated financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB), Australian Charities and Not-for-profits Commission Act 2012, and the Australian Charities and Not-for-profits Commission Regulation 2013.

This is the first set of the Group's annual financial statements in which AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP entities and AASB 16 Leases has been applied.

Changes to significant accounting policies are described in Note 31.

These financial statements were authorised for issue by the Board of Directors on 7 October 2020. Details of the Group's significant accounting policies are included in Note 32.

3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated when measured at fair value. The methods used to measure fair values are discussed further in Note 6.

4 Functional and presentation currency

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

5 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 17 - classification of the joint arrangement; and
- Note 23 - recognition and measurement of provisions: key assumptions about the liklihood and magnitude of an outflow of resources.
- Note 26 - lease term: whether the Group is reasonably certain to exercise extension options.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

6 Detemination of fair value

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) Financial instruments

The fair value of financial assets and other financial 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.

7 Financial risk management

Overview

This note provides disclosure on the Group's exposure to financial risks, and the risk management 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 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 and internationally.

The Group has established an investment committee to manage investment portfolio. The investment portfolio is managed in accordance with a documented investment strategy which includes investment objectives, risk management processes and governance standards.

The broad investment objective is to generate a reliable income stream to support MSL's mission activities and to maintain the real value of the investment portfolio over time given constraints aimed at controlling risk and volatility of returns to an acceptable level. The strategic asset allocation used for the portfolio would be consided "balanced".

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

7 Financial risk management (continued)

Other financial risk

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

Credit and trade receivables 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 of 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.

Capital management

The directors' policy is to maintain a strong capital base so as to sustain future development of the business. The board of directors monitors the return on capital.

There were no changes to the Group's approach to capital management from the previous year.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

	2020 $	2019 $
8 Revenue		
(a) Revenue		
Revenue from contracts with customers - AASB 15 *Revenue from Contracts with Customers*		
Sales and lottery income	12,288,787	18,658,490
Rendering of services	23,972,337	19,872,360
	36,261,124	38,530,850
Other income recognised under AASB 1058 *Income of NFP entities*		
Donation and sponsorship income	6,717,290	8,859,420
Bequest income	3,901,153	1,791,844
Specific purpose funding / income	1,064,706	1,128,849
Other income	923,149	1,431,811
Government grant - JobKeeper	2,491,200	-
	15,097,498	13,211,924
Revenue and other income from continuing operations	51,358,622	51,742,774

(b) Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated based on type of goods or services provided and source of funds

	2020	2019
Type of good or service		
Sales and lottery income	12,288,787	18,658,490
Government grants	5,361,931	7,643,945
Fee for service income	18,397,323	11,777,747
Event income	213,083	450,668
Total disaggregated revenue	36,261,124	38,530,850
Revenue recognised under AASB 1058	15,097,498	13,211,924
Revenue and other income from continuing operations	51,358,622	51,742,774

This is the first period MSL has applied AASB 15 and AASB 1058, seen Note 31.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

	2020	2019
	$	$
9 Employee expenses		
Wages,salaries and other employee expenses	22,845,850	20,581,285
Contribution to defined contribution superannuation funds	2,047,244	1,866,326
Movement in liability for annual leave	251,532	195,223
Movement in liability for long service leave	(51,044)	875
Total employee expenses	25,093,582	22,643,709

	2020	2019
10 Net finance (costs)/income		
Finance Income		
Interest income	15,068	66,842
Dividend income - Equity securities at FVTPL	1,025,720	441,947
Distribution income	-	89,128
Financial assets at FVTPL - net change in fair value	-	379,568
	1,040,788	977,485
Finance costs		
Interest expense	100,900	-
Interest expense on lease liabilities (1)	173,077	-
Financial assets at FVTPL - net change in fair value	934,189	-
	1,208,166	-
Net finance (costs)/income	(167,378)	977,485

(1) The Group applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restate and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See note 31.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

11 Discontinued operations

During the prior year, the Group sold its Nationwide Health & Aged Care business. Accordingly, the Nationwide Health & Aged Care business is considered a discontinued operation since the financial year ending 30 June 2019.

An analysis of the financial impact of the discontinued operations is as follows:

	2020 $	2019 $
Revenue from discontinued operations		
Australian Home Care Services	-	3,815,584
Nationwide Health & Aged Care	-	13,642,600
Total revenue from discontinued operations	-	17,458,184
Expenses from discontinued operations		
Australian Home Care Services		
Depreciation expense	-	26,657
Impairment of trade receivables	-	194,159
Other expenses	-	3,685,804
Nationwide Health & Aged Care		
Depreciation expense	-	196,645
Other expenses	-	15,882,084
Total expenses from discontinued operations	-	19,985,349
Net gain on realisation of discontinued businesses	-	5,916,262
Pre-tax surplus from discontinued operations	-	3,389,097
Income tax applicable to discontinued operations	-	-
Net surplus from discontinued operations	-	3,389,097

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

	2020 $	2019 $
12 Cash and cash equivalents		
Bank balances	13,372,477	6,040,550
Cash on hand	4,281	4,557
	13,376,758	6,045,107
Disclosed as:		
Cash and cash equivalents	13,376,758	6,045,107
	13,376,758	6,045,107
13 Trade and other receivables		
Current		
Trade receivables	566,485	1,353,238
Other receivables	14,620	95,227
Prepayments	1,054,268	514,219
Accrued income	2,016,375	430,955
	3,651,748	2,393,639
Non-current		
Trade receivables	400,000	-
	400,000	-

Trade receivables are shown net of an allowance for impairment losses of $95,238 (2019: $536,998). Impairment losses on trade receivables recognised in the surplus or deficit were $95,238 (2019: $232,816).

	2020 $	2019 $
14 Non-current assets held for sale		
Land and buildings held for sale	9,477,300	-
	9,477,300	-

On 9 October 2019, the Group entered into an agreement to sell the property at 120 Thames Street, Box Hill North. The property was sold at the agreed price of $10,100,000 excluding GST with settlement due on 9 October 2021. On reclassification of the property as held for sale at reporting date, no impairment loss was recognised as the sale price less expected costs to sell is higher than the carrying amount.

During the year, MSL capitalised an additional amount of $145,817 in relation to the property and is included in the carrying value held for sale.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

15 Property, plant and equipment

	2020 $	2019 $
Land and buildings		
At cost	18,397,765	26,125,614
Accumulated depreciation and impairment	(5,292,529)	(5,064,662)
Carrying amount	13,105,236	21,060,952
Plant and equipment		
At cost	4,537,098	4,166,657
Accumulated depreciation	(3,598,370)	(3,290,668)
Carrying amount	938,728	875,989
Motor vehicles		
At cost	93,967	93,967
Accumulated depreciation	(93,967)	(93,967)
Carrying amount	-	-
Capital work in progress		
At cost	529,678	2,143,300
Carrying amount	529,678	2,143,300
Total carrying amounts	14,573,642	24,080,241

Movement in carrying values	Land and buildings $	Plant and equipment $	Capital work in progress $	Total $
Balance at 1 July 2019	21,060,952	875,989	2,143,300	24,080,241
Additions	638,786	397,753	308,217	1,344,756
Capitalisation of WIP	1,912,216	6,714	(1,918,930)	-
Disposals	-	(34,078)	(2,909)	(36,987)
Depreciation	(418,052)	(307,650)	-	(725,702)
Transfer to assets held for sale (1)				
- At cost	(9,521,665)	-	-	(9,521,665)
- Accumulated depreciation	190,185	-	-	190,185
Impairment (2)	(757,186)	-	-	(757,186)
Balance at 30 June 2020	13,105,236	938,728	529,678	14,573,642

(1) The Group entered into an agreement to sell the property at 120 Thames Street, Box Hill North. Refer to Note 14

(2) An independent valuation of the Group's land and buildings has been performed for the current financial year by m3property with the specific purpose to test for impairment during the year. One property at Beverly Hills NSW was assessed as having a lower value in use compared to carrying value. Costs associated with the construction of the building completed in September 2019 may have inflated the total cost of the building compared to the external independent valuation. An impairment expense of $757,186 has been recognised.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

16 Intangible assets

	2020 $	2019 $
Software		
At cost	1,548,344	1,541,944
Accumulated amortisation	(762,809)	(549,494)
Carrying amount	785,535	992,450
Property Equity Interest		
At cost	86,500	86,500
Accumulated amortisation / impairment	(86,500)	-
Carrying amount	-	86,500
Total carrying amounts	785,535	1,078,950

Movement in carrying values	**Software** $	**Property Equity Interest** $	**Total** $
Balance at 1 July 2019	992,450	86,500	1,078,950
Additions	6,400	-	6,400
Amortisation	(213,315)	-	(213,315)
Impairment [(1)]	-	(86,500)	(86,500)
Balance at 30 June 2020	785,535	-	785,535

The software intangibles include the development, implementation and software purchase costs incurred by the Group for major IT systems used by the Group.

(1) The Group has recognised an impairment loss of $86,500 relating to property equity interest for the Group's right to provide client accommodation of one room in a Supported Accommodation property. The property was transferred to MSL from AHCS Trust in December 2018 which is recognised as Land and Buildings.

17 Equity-accounted investees

	2020 $	2019 $
Interest in joint venture	-	-

Blue Sky Boundaries Pty Ltd (BSB) is a joint venture in which the Group has joint control and a 50% ownership interest. It is one of the Group's strategic partners and is principally engaged in the operation of cycling events organised by the Group as fundraising activities. The Group has a 50% ownership interest in the joint venture (2019: 50%). BSB is not publicly listed.

BSB is a separate vehicle and the Group has a residual interest in the net assets of BSB. Accordingly, the Group has classified its interest in BSB as a joint venture and therefore recognises the Group's residual interest in the net assets of BSB as an equity accounted investee. At 30 June 2020 and 30 June 2019, BSB reported net liabilities. In accordance with the agreement under which BSB is established, the Group has no obligation to make additional contributions to contribute to the net liabilities of BSB.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

	2020 $	2019 $
18 Investments		
Non-current Investments		
Equity securities - at FVTPL	6,404,667	7,428,779
Other financial assets - at FVTPL	10,934,173	11,308,632
	17,338,840	18,737,411

19 Financial instruments - fair values and risk management

Currency and market risk

The Group is only exposed to foreign currency risk to the extent that it holds corporate debt securities and equity securities denominated in foreign currencies as part of its structured investment portfolio. The Group's investment policy describes the risk management strategies employed by the Group.

The Group is only exposed to market price risk to the extent that it holds tradeable corporate debt securities and equity securities as part of its structured investment portfolio. The Group's investment policy describes the risk management strategies employed by the Group.

The objective of the investment policy is to generate a reliable income stream to support the Group's mission activities and to maintain the real value of the investment portfolio over time given constraints aimed at controlling risk and volatility of returns to an acceptable level.

The Group uses an external investment advisor to construct a diversified portfolio of debt and equity securities which is expected to generate the required return with the minimum risk. Risk management strategies include:

- Assessing the risk profile of the Group as it relates to investments through a regular structured process;
- Establishing a strategic asset allocation to match the assessed risk profile based on historical modelling and expected asset class returns and volatility;
- Undertaking due diligence to assess expertise and track record before selecting fund managers for inclusion on the approved investments schedule;
- Selecting fund managers whose management styles are consistent with the requirements of the investment strategy and monitoring the activities of those fund managers on a regular basis;
- Limiting the exposure of the Group to any one fund manager; and
- Where appropriate, instructing managers to invest only in investment grade securities.

Interest rate risk

The Group is only exposed to interest rate risk to the extent that it holds corporate debt securities as part of its structured investment portfolio. The Group's investment policy describes the risk management strategies employed by the Group.

Based on advice from its external investment advisor, the Group invests in a diversified range of fixed and variable rate debt securities as part of its overall investment portfolio. The Group monitors interest rates and interest rate trends and adjusts the mix between fixed and variable rate debt securities to achieve its investment objectives.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

20 Trade and other payables

	2020 $	2019 $
Current		
Trade payables	4,988,687	4,588,741
Other trade payables and accrued expenses	2,661,170	1,182,690
Payables due to related entities	-	609,624
	7,649,857	6,381,055

21 Contract liability

	2020 $	2019 $
Current		
Government funding received in advance	54,964	314,215
Government capital grants received in advance	3,086,410	-
Other income received in advance	690,274	727,554
	3,831,648	1,041,769
Non-current		
Government capital grants received in advance	-	3,467,680
	-	3,467,680

The non-current contract liability from 30 June 2019 represents funds received for the development of disability accommodation at 2 Tallawalla Street, Beverly Hills recognised in the Group's property, plant and equipment. The funding agreement requires the Group to use the property for its intended purpose for a period of 40 years and the NSW Government retains an equity interest in the property until the 40 year period is concluded.

Following the Group's initial application of AASB 1058 from 1 July 2019, this contract liability has been applied to opening retained earnings in the Consolidated Statement of Changes in Equity.

Refer to Note 31 for the change in accounting policy note.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

	Note	2020 $	2019 $
22 Employee benefits			
Current			
Salaries and incentives		1,585,270	430,653
Liability for annual leave		1,398,912	1,147,380
Liability for long service leave		1,144,383	1,043,706
		4,128,565	2,621,739
Non current			
Liability for long service leave		157,574	309,295
		157,574	309,295
23 Provisions			
Current			
Redundancies		104,300	150,000
Provision for onerous lease		-	2,133,798
		104,300	2,283,798

	Redund-ancies	Onerous Lease	Total
Balance at 30 June 2019	150,000	2,133,798	2,283,798
Adjustment for transition to AASB 16	-	(2,133,798)	(2,133,798)
Balance at 1 July 2019	150,000	-	150,000
Provision utilised during the year	(45,700)	-	(45,700)
Balance at 30 June 2020	104,300	-	104,300

In the prior year, the Group recognised a provision for redundancies that represented the expected cost of redundancies to be paid by the Group resulting from the sale of the Nationwide Cleaning Services business.

At 30 June 2019 the Group has recognised a provision for the cost of leased premises formerly occupied by the AHCS Trust and which provide no future economic benefit to the Group. The provision includes the expected costs associated with subletting or assigning the lease, the expected lease payments payable until the premises can be sublet or the lease assigned and the make good provision which is expected to be settled when the premises are sublet or assigned to another party.

The provision of onerous lease balance was netted off against the ROU asset recognised upon transition to AASB 16 leases. Refer to Note 26.

24 Commitments

The Group has entered into a binding agreement with the Government of New South Wales to redevelop its Lidcombe facility. Planning for the redevelopment has commenced and the project will extend over several years. The cost of the redevelopment is expected to be fully funded by capital grants from the Government which are specified in the agreement. The quantum of the funding is not disclosed on the basis that it is commercially sensitive.

The Group has no other commitments as at 30 June 2020.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

25 Contingencies

The Group's property located at 54 Railway Road, Blackburn was partially funded by the State Government of Victoria. 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 Victorian Government 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 Victorian Government to transfer the deed of charge to an alternative property asset.

The Group's development of the a new health facility at 80 Betty Cuthbert Drive, Lidcombe is being funded by Property NSW (PNSW). The funding agreement requires the Group to complete construction of the new facility by the Sunset Date of 31 December 2023, subject to any extension of time permitted within the funding agreement. PNSW must transfer the title of the land to the Group as soon as practicable after the later of the date of registration of the Plan of Subdivision; and the earlier of the Date of Practical Completion, the Sunset Date, or termination of the funding agreement as a result of an unrectified Default Event. In the event that the facility is not completed by the Sunset Date or the funding agreement is terminated, the Group must refund to PNSW any amount paid by PNSW to the Group as at the date the land is transferred.

The Group acknowledges that the funding and transfer of land from PNSW are provided to the Group on the expectation that the new health facility at 80 Betty Cuthbert Drive, Lidcombe will generate a public neurological health benefit which amortises over a period of 15 years. Should the Group sell the land or grant a long term lease or concurrent lease for a premium, assignment or other similar dealing, the Group must offer to return the land to PNSW or as directed by PNSW, compensate PNSW at a price to be determined in accordance with the funding agreement.

The Group's property located at 2 Tallawalla Street, Beverly Hills has recently been renovated which has been funded by the NSW Government. The funding agreement requires the Group to use the property for its intended purpose for a period of 40 years and the NSW Government retains an equity interest in the property until the 40 year period is concluded.

The Directors are of the opinion that a provision is not required in respect of the above contingencies because the Group continues to satisfy the relevant conditions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

26 Leases

See accounting policy in Note 32(o).

(a) Leases as lessee (AASB 16)

The Group leases shop and office premises, motor vehicles and equipment under operating leases. Most leases typically run for approximately three years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are typically based on movements in the Consumer Price Index.

(i) Right-of-use assets

	Land and buildings	Motor vehicles	Plant and equipment	Total
Balance at 1 July 2019	3,972,137	217,559	69,213	4,258,909
Additions to right-of-use assets	398,772	-	21,803	420,575
Depreciation charge for the year	(908,844)	(97,426)	(28,649)	(1,034,919)
Impairment [(1)]	(1,316,406)	-	-	(1,316,406)
Balance at 30 June 2020	2,145,659	120,133	62,367	2,328,159

The Group has applied AASB 136 Impairment of Assets to its leased premises at Toorak Road, Hartwell which at 30 June 2019 was classified as 'onerous'. The premises remain unutilised by MSL and efforts to either sub-let or assign the lease have been unsuccessful. The Group has determined that this ROU asset is impaired. Therefore, an impairment loss of $1,316,406 (2019: Nil) was recognised in respect of this onerous lease.

	Note	2020 $	2019 $
(ii) Lease liabilities			
Current			
Lease liabilities		1,879,182	-
		1,879,182	-
Non-current			
Lease liabilities		3,156,151	-
		3,156,151	-
(iii) Amounts recognised in profit or loss			
Interest on lease liabilities	10	173,077	-
Depreciation of right-of-use assets		1,034,919	-
Impairment of right-of-use assets		1,316,406	
		2,524,402	-

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

26 Leases (continued)

(a) Leases as lessee (AASB 16) (continued)

	2020 $	2019 $
(iv) Amounts recognised in statement of cash flows		
Cash outflows for leases	(1,951,024)	-

(v) Extension options

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

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $1,426,575.

(b) Leases as lessor

The Group leases one property held under an operating lease. The future minimum lease receivables under non-cancellable leases are as follows:

Less than one year	511,250	-
Between one and five years	128,750	-
	640,000	-

The property held under an operating lease is an asset held for sale (refer note 14). The property will be transferred to the purchaser on settlement 9 October 2021.

27 Subsequent events

Between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of Directors, to affect significantly the operations or the state of affairs of the Group in future financial years except as noted below.

The COVID-19 pandemic has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various material ways:

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results and liquidity restraints. At the date of this report, the Group expects:

- higher staffing costs in order to maintain and operate residential services safely;
- a significant reduction in fundraising income due to the shift to virtual delivery of live fundraising events which typically generates over $2.2 million in revenue for the Group;
- extended closure of Community shops from August 2020; and
- a reduction in the number and frequency of some face-to-face client services in order to meet social distancing requirements.

Notwithstanding the above expectations, the Group has strong operational cash flows and has access to investment funds classified as non-current financial assets of $17.4M. The Group will continue as a going concern.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2020

28 Related parties

Identity of related parties

The Group has a related party relationship with the entities listed below:
- Multiple Sclerosis Australia
- Multiple Sclerosis Research Australia
- Blue Sky Boundaries Pty Ltd

Multiple Sclerosis Australia (MSA)

MSA, a related company, operates solely for the benefit of its members, the State Multiple Sclerosis Societies (the State Societies) including the Company. As a result, all surplus funds of MSA are expended on behalf of the State Societies and MSA is also funded by contributions from the State Societies.

Multiple Sclerosis Research Australia (MSRA)

MSRA is a subsidiary of MSA established to coordinate and fund research activities on behalf of MSA and the State Societies.

Blue Sky Boundaries Pty

BSB is the joint venture vehicle which manages some of the Group's major fundraising events (refer Note 17).

Transactions with related parties

The Group is a member of MSA. During the year, national subscription fees of $595,513 (2019: $587,871) were paid to MSA.

Research funding of $1,330,000 (2019: $330,000) was paid to MSRA.
The Group is a participant in the BSB joint venture. During the year, the Group paid registration fees associated with major events to BSB in accordance with the joint venture arrangements. The Group also received management fees and a 50% share of the surplus generated through the operation of the major events conducted by the joint venture.

Transactions with directors and key management personnel

(i) No remuneration is paid to directors.
(ii) There were no loans to directors at any time during the financial year.
(iii) The key management personnel compensation was $1,370,959 for the year (2019: $1,391,074).

	Note	2020 $	2019 $
Assets and liabilities with related parties			
Net (payable) to Multiple Sclerosis Australia		-	(23,114)
Net (payable) to Multiple Sclerosis Research Australia		-	-
Net (payable) to Blue Sky Boundaries Pty Ltd		-	(586,510)
Net amount owing	20	-	(609,624)

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

29 List of controlled entities

	Country of incorporation	2020	2019
Parent entity			
Multiple Sclerosis Limited	Australia		
Significant subsidiaries and their controlled entity			
Australian Home Care Services Unit Trust (dormant)	Australia	0%	100%
Multiple Sclerosis Services Limited (dormant)	Australia	100%	100%

Multiple Sclerosis Services Limited is a company limited by guarantee.
The Company is the sole member.

30 Parent entity disclosures

As at, and throughout the financial year ending 30 June 2020, the parent entity of the Group was Multiple Sclerosis Limited.

	2020 $	2019 $
Results of the parent entity		
(Deficit) / surplus for the year	882,201	(3,472,282)
Other comprehensive income	-	-
Total comprehensive income for the year	882,201	(3,472,282)
Financial position of the parent entity at year end		
Current assets	17,676,104	8,061,725
Total assets	62,179,580	51,958,327
Current liabilities	16,020,527	11,783,637
Total liabilities	21,460,089	15,342,069
Total equity of the parent entity at year end		
Accumulated surplus	40,416,243	35,991,967
Fair value reserve	-	-
Bequest Reserves	303,248	405,748
Total Equity	40,719,491	36,397,715

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

31 Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 32 to all periods presented in these consolidated financial statements.

(a) Initial application of AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

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

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

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 2019 has not been restated.

The impact of the transition to AASB 1058 and AASB 15 on retained earnings is $3,467,681 at 1 July 2019. The following table summarises the impact of adopting AASB 1058 and AASB 15 on the Group's Statement of Financial Position at 30 June 2020 and its Statement of Profit or Loss and Other Comprehensive Income for the year ended for each of the line items effected. There was no material impact on the Group's Statement of Cash Flows for the year ended 30 June 2020.

Impact on Statement of Financial Position

	Note	As reported	Adjustments	Amounts without adoption of AASB 1058 & AASB 15
Liabilities				
Current				
Other income received in advance	21	690,274	(65,169)	625,105
Non-current				
Government capital grants received in advance	21	-	3,402,518	3,402,518
Equity				
Retained Earnings		39,459,654	(3,467,687)	35,991,967

Impact on Statement of Surplus or Deficit and Other Comprehensive Income

	Note	As reported	Adjustments	Amounts without adoption of AASB 1058 & AASB 15
Revenue				
Revenue (Government income - Note 8)	8	36,261,124	65,169	36,326,293

The transitional impact on the adoption of AASB 15 and AASB 1058 is $3,467,687. This is comprised of income received on contracts (i.e Deferred revenue) that would have been recognised at a point in time had AASB 15 not been applied. Refer to Note 32(b) for further details.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

31 Change in accounting policy (continued)

(b) Initial application of AASB 16 Leases

The Group initally applied AASB 16 Leases from 1 July 2019.

The Group has applied AASB 16 using the modified retrospective approach and has elected to assess leases from 1 July 2019 measuring the right-of-use asset at amount equal to the lease liability at the date of adoption. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 32(o).

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

(ii) As a lessee

As a lessee, the Group leases many assets including property, motor vehicles and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

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

However, for leases of motor vehicles and property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(1) Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were easured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying ammount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that one onerous property lease is impaired.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

31 Change in accounting policy (continued)

(b) Initial application of AASB 16 Leases (continued)

(1) Leases classified as operating leases under AASB 117 (continued)

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(2) Leases classified as finance leases under AASB 117

The Group leases a number of IT equipment items. These leases were classified as finance leases under AASB 117. For these leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

(iii) Impact on financial statements

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	1 July 2019
Right-of-use assets (Net of 2019 provision for onerous lease)	4,258,909
Lease liabilities	6,392,705

The Group immediately recognised the impairment of the onerous lease, the impact of the impairment is summarised below.

Impairment expense	1,316,406
Right-of-use assets	(1,316,406)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The rate applied for leases with a term less than three years is 2.58% and for all other leases the rate is 3.04%

Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	5,896,440
Discounting impact using the incremental borrowing rate at 1 January 2019	(343,715)
Recognition exemption for leases with less than 12 months of lease term at transition	(154,357)
Extension options reasonably certain to be exercised	763,430
Others	230,907
Lease liabilities recognised at 1 July 2019	6,392,705

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also note 31).

(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 the benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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.

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

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.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(b) Revenue

The Group has initially applied AASB 15 and AASB 1058 from 1 July 2019. Revenue is measured based on the conoslidation specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contract with customers.

Nature and timing of satisfaction of performance obligations, including significant payment terms	**Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)**	**Revenue recognition under AASB 118 (applicable before 1 July 2019)**
Goods sold Goods sold includes the sale of goods through MS Community Shops and sale of merchandise associated with events. Invoices are generated at the point of sale and are usually payable immediately and before the goods are released to the customer.	Revenue from the sale of goods (net of discounts) is recognised in the Statement of Surplus or Deficit and other Comprehensive Income and is measured at the fair value of the consideration recieved or recievable. Revenue from the sale of goods is recognised when the goods are delivered or released to the customer at a point in time.	Revenue from the sale of goods 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 risks and rewards of ownership are transferred at the point of sale after payment has been made by the customer.
Lottery Ticket Sales Customers purchase raffle or lottery tickets online or from approved vendors. Tickets are issued on payment of the ticket price.	Revenue from the sale of raffle and lottery tickets is recognised when the obligations associated with the raffle or lottery, including the prize draws, have occurred at a point in time.	Revenue from the sale of raffle and lottery tickets is recognised when the obligations associated with the raffle or lottery, including the prize draws, have occurred.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(b) Revenue (continued)

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (applicable before 1 July 2019)
Fees for Services Invoices for services provided under the National Disability Insurance Scheme are issued fortnightly at a minimum and are payable by the National Disability Insurance Agency or the relevant participant on receipt of the invoice or claim.	Revenue from services rendered is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income and is measured at the fair value of the consideration received or receivable.	Revenue from services rendered is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income and is measured at the fair value of the consideration received or receivable.
Invoices for services rendered to residents in accommodation are issued fortnightly at a minimumand are payable on receipt.	Revenue is recognised at the time the service is delivered to the customer over time.	Revenue from services rendered is recognised in the statement of surplus or deficit in the period in which the service is provided.
Government revenue - programs State, Commonwealth and local governments contract for the delivery of services and programs on their behalf. Funding of government services is normally paid monthly or quarterly.	Revenue is recognised in the period in which the services are provided, having regard performance obligations and performance 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.	Revenue is 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.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(b) Revenue (continued)

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (applicable before 1 July 2019)
Government revenue - reimbursements State, Commonwealth and local governments reimburse specific expenses associated witht he delivery of some programs. Reimbursement claims are raised when the reimburseable expenses are incurred. Reimburrsement is usually received within 30 days.	Government reimbursements associated with a service program are recognised at the time the reimbursement claim is raised.	Government payments that compensate the Group for expenses incurred are recognised as revenue in the statement of surplus or deficit and other comprehensive income on a systematic basis in the same periods in which the expenses are incurred.
Government revenue - asset funding State and Commonwealth Governments enter into project delivery agreements to facilitate the purchase or construction of an asset. The timing of funding receipts may or may not align with the project delivery schedule.	Government grants funding an asset purchase or construction are recognised as income when the conditions attached to the grants are substantially satisfied.	Grants that compensate the Group for the cost of an asset is recognised in the statement of surplus or deficit and other comprehensive income as other income when the conditions attached to such grants are substantially satisfied.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(c) Other income

(i) Donation and sponsorship income

Donations and sponsorships are received from fundraising activities, philanthropic trusts and foundations and various other sources. These are recognised as revenue when received except when any specific obligations attached to the funds have yet to be performed. Where specific obligations have yet to be performed the funds are recorded as contract liability in the consolidated statement of financial position.

(ii) Bequests

Bequests receipts are recognised as revenue at fair value on receipt.

Where a generic obligation has been expressed (e.g. "for research") which has yet to be performed the funds are transferred to the Bequest Reserve until such time as the obligation has been satisfied.

(iii) Specific purpose funding / income

The Group receives funding from trusts and foundations for specific purposes. These funds are initially recorded in the consolidated statement of financial position as Specific Purpose Funds which is specific class of contract liability. When the obligations attached to the funds are satisfied, the funds are recognised as revenue.

(iv) 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.

(d) Finance income and expense

Finance income comprises interest income on funds invested, 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 and distribution 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 and finance leases, losses on disposal of available-for-sale financial instruments 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.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(e) Employee Benefits

(i) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date 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.

(ii) 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.

(iii) 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 Australian corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) 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 Company 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.

(f) Income tax

All entities within the Group are exempt bodies for income tax purposes and accordingly no provision for income tax is made.

(g) 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 consolidated statement of financial position.

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

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(h) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose or a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(i) Non current assets held for sale

Non current assets that are expected to be recovered primarily through sale or distribution 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.

(j) 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 in surplus or deficit.

(ii) Subsequent expenditure

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.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

(k) Intangible assets

(i) Software development

Software development involves the cost to develop the Group's ERP systems and other related software system. 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.

(ii) 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.

(iii) 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 impairment losses.

(iv) 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.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(k) Intangible assets (continued)

(v) Amortisation

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

- Software 3 - 7 years

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

(l) Financial instruments

(i) *Recognition and initial measurement*

Trade receivables and debt securities are initially recognised on the date that they are originated. All other financial assets and financial liabilities are recognised on the date at that the Group becomes a party to the contractual provisions of the instrument.

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

(ii) *Classification and subsequent measurement*

Financial assets

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(l) Financial instruments (continued)

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

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

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

- the stated policies and objectives of the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:
For the purposes of this assessment, 'principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration received for the time value of money and for the credit risk associated with the principal amount outstanding during a particular time period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well a a profit margin.

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

Financial assets - Subsequent measurement and gains and losses:
Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in surplus or deficit.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(l) Financial instruments (continued)

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interst income, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to surplus or deficit.

Equity investments at FVOCI

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

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other finanical liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus or deficit.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(m) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for estimated credit losses (ECLs) on:
- financial assets measured at amortised cost; and
- contract assets.

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

Credit-impaired financial assets

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

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entiriety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activies in order to comply with the Group's procedures for recovery of amounts due.

(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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use of other non-financial assets, the Group estimates Depreciation Replacement Cost (DRC) based on external independent valuation.

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 goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to assets or groups of assets that are expected to benefit from the synergies of the combination.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(n) Provisions

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit.

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.

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.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(o) Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

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

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

(i) As a lessee

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(o) Leases (continued)

(i) As a lessee (continued)

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

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

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

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

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

The Group presents right-of-use asset that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low value assets

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

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

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(o) Leases (continued)

(ii) As a lessor

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

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

The group recognises lease payemnts received under operating leases as income on a straight-line basis over the lease term as part of 'Other income'.

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - the purchaser had the ability or right to control physical access to the asset while obaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neigher fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially an an amount equal to the lower of their fair values and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to intial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(o) Leases (continued)

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

In the current year, the directors have elected to apply AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions before its mandatory application date. AASB 2020-4 amends AASB 16 Leases and is effective for annual periods that begin on or after 1 June 2020.

COVID-19 has led many lessors to provide relief to lessees by deferring or relieving them of amounts that would otherwise be payable. In some cases, this is through negotiation between the parties, but can also be as a consequence of a government encouraging or requiring that the relief be provided.

AASB 16 requires lessees to assess whether changes to lease contracts are lease modifications as this term is defined in the Standard and, if so, the lessee must remeasure the lease liability using a revised discount rate.

The amendment is intended to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in AASB 16 that permits entities to elect not to account for some or all of these rent concessions as modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease.

The Group has elected to apply the practical expedient to all of the COVID-19-related rental concessions it has obtained as lessee.

Notes to the financial statements (continued)

For the year ended 30 June 2020

32 Significant accounting policies (continued)

(p) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2020

Directors' declaration

For the year ended 30 June 2020

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

(a) the Company is not publicly accountable;

(b) the consolidated financial statements and notes that are set out on pages 18 to 57 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 2020 and of its performance, as represented by the results of its operations 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 2020.

This statement is made in accordance with a resolution of the Board of Multiple Sclerosis Limited and is signed for and on behalf of the Board by:

Mr Garry Ross Whatley
Director

Dated at Melbourne on the 7th day of October 2020.

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 the audit of Multiple Sclerosis Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

KPMG

Antoni Cinanni

Partner

Melbourne

7 October 2020

Independent Auditor's Report

To the members of Multiple Sclerosis Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report***, of the Multiple Sclerosis Limited ("the Company") and the entities it controlled (collectively refer to as "The Group").

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and

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

The ***Financial Report*** comprises:

i. Consolidated statement of financial position as at 30 June 2020.

ii. Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Directors' declaration of [the Company.

The Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

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

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the [Directors/Trustees/Association's committee members] for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report[1]

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

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

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

We also:

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

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

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

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

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

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

KPMG

KPMG

Antoni Cinanni
Partner

Melbourne
7 October 2020