Multiple Sclerosis Limited
and its controlled entitities

ABN 66 004 942 287

General Purpose Financial Report

30 June 2019

Contents

Directors' report

For the year ended 30 June 2019

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 2019 and the auditor's report thereon.

1 Directors

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

Name, qualifications and experience	Independence status and special responsibilities
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 Dec 2007 Board Chair since 18 Dec 2013 Chair of Nominations, Remuneration & Governance Committee
Ms Christina Isabelle Gillies Extensive experience in mergers, acquisitions, organisational change and information technology	Independent Non-Executive Director Appointed - 9 Sept 2001 Board Chair from 22 Nov 2006 to 18 Dec 2013 Member of the ICT Governance Committee
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 Aug 2009 Deputy Chair since 19 Dec 2013 Chair of the ICT Governance Committee Member of Nominations, Remuneration & Governance Committee
Mr Ian James Pennell AM Extensive experience in management including the not for profit sector	Independent Non-Executive Director Appointed - 3 Jul 2008 Member of Nominations, Remuneration & Governance Committee Member of ACT Regional Advisory Board
Ms Sophie Langshaw Bachelor of Commerce, CA, MAICD Extensive experience in financial accounting and risk management	Independent Non-Executive Director Appointed - 14 Dec 2012 Chair of the Audit & Risk Committee
Ms Karen Hayes FAICD Extensive experience in management including the not for profit sector	Independent Non-Executive Director Appointed - 18 Dec 2013
Ms Denise Cosgrove Bachelor of Arts (French), Post Grad Diploma (HRM) Extensive experience in human resources development, management, strategy, planning and communications	Independent Non-Executive Director Appointed - 18 Dec 2013 Resigned - 21 Feb 2019

Directors' report

For the year ended 30 June 2019

1 Directors (continued)

Name, qualifications and experience	Independence status and special responsibilities
Mr Scott McCorkell Extensive experience in management, marketing and branding	Independent Non-Executive Director Appointed - 18 Dec 2013 Member of the ICT Governance Committee
Mr 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 Jun 2016
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 Jun 2016 Member of the Audit & Risk Committee
Mr Ron Brent LLB (ANU), Bec (ANU) Extensive Board and regulatory experience	Independent Non-Executive Director Appointed - 28 Jun 2017 Member of the Audit & Risk Committee Chair of ACT Regional Advisory Board
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

Directors' meetings

Director	Board meetings		Audit Committee meetings	
	Held(1)	Attended	Held*	Attended
Mr William Peter Day	14	12		
Ms Christina Isabelle Gillies	14	8		
Mr Garry Ross Whatley	14	11		
Mr Ian James Pennell	14	14		
Ms Sophie Langshaw	14	10	7	6
Ms Karen Hayes	14	11		
Ms Denise Cosgrove(3)	10	5		
Mr Scott McCorkell(2)	9	6		
Mr Desmond Graham(2)	10	8		
Ms Sharlene Brown	14	13	7	7
Mr Ron Brent(2)	13	10	6	5
Ms Adriana Zuccala(4)	0	0		

(1) Meetings Director was eligible to attend
(2) Approved leave of absence
(3) Resigned 21/2/2019
(4) Appointed 29/5/2019

The Audit Committee also includes two independent members, who are not directors; Mr David Nowell and Mr Mathew Cleeve.

Directors' report

For the year ended 30 June 2019

1 Directors (continued)

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

Overview of the Group

The composition of the Group has changed significantly over the last two financial years, firstly from the sale of the Home Care business operated by Australian Home Care Services Pty Ltd (AHCS PL) as trustee of the Australian Home Care Services Unit Trust (AHCS Trust). The sale of the Home Care business resulted in all of the assets and liabilities of the AHCS Trust being distributed between MSL, Multiple Sclerosis Services Limited (MSSL) and AHCS PL on 29 July 2018. All of the shares in AHCS PL were subsequently sold on 30 July 2018.

The Nationwide Health & Aged Care business (Nationwide) was transferred to MSSL as part of the distribution from the AHCS Trust noted above. MSSL continued to operate Nationwide until it was sold in February 2019.

MSSL, a controlled entity of MSL, is currently not operating but 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.

As a result of the above changes and simplification of the Group's composition, the format of, and disclosures in, the consolidated financial statements have been updated. Comparative information has been adjusted to reflect the new format and the impact of the changes in format is described in note 30.

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

	Note	2019 $	2018 $
Total revenue and other income from continuing operations		52,720,259	38,758,057
Surplus from operating activities		1,934,554	3,388,686
Surplus from sale of property, plant and equipment		4,240	403,655
Impairment of property, plant and equipment	14	(1,721,116)	(600,428)
Net surplus for the year from continuing operations		217,678	3,191,913
Surplus / (deficit) from discontinued operations	11	3,389,097	(2,949,946)
Net surplus for the year		3,606,775	241,967

Directors' report

For the year ended 30 June 2019

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

Operating activities

The Group's surplus from operating activities during the year was $1,934,554 (2018: $3,388,686) which comprise the following activities:

	2019 $	2018 $
Income generating activities		
Bequest Program	1,538,117	3,903,996
Fundraising activities	556,361	917,944
Event surpluses and associated fundraising	2,376,188	1,409,411
Lotteries	1,163,382	(3,254,480)
MS Shops	147,392	133,133
Net investment income	830,063	1,247,974
	6,611,502	4,357,978
Mission activities		
MS Information and Education Services	(835,530)	(810,316)
MS Peer Support and Volunteer Programs	(135,535)	(261,695)
Financial Assistance Program	(60,005)	(59,242)
Research and advocacy	(1,364,152)	(1,233,247)
	(2,395,222)	(2,364,500)
Service delivery activities	(571,899)	1,880,943
Other projects and development activities	(1,709,828)	(485,736)
Net surplus for the year from continuing operations	1,934,554	3,388,686

Income generating activities are those activities undertaken by the Group primarily to generate funds to support the Group's mission activities now and into the future.

Income generating activities during the year were positively impacted by the success of the major fund raising events (Sydney Bike ride and Melbourne Cycle) and the Dream Home Lottery and Dream Lifestyle Lottery. Offsetting these increases was a decline in bequests received.

Mission activities are those activities that the Group undertakes to support people affected by multiple sclerosis and which are typically reliant on funds raised from other sources.
Research and advocacy includes both activities undertaken directly by the Group and activities undertaken in conjunction with Multiple Sclerosis Australia (MSA) and Multiple Sclerosis Research Australia (MSRA).

Service delivery activities are those activities undertaken by the Group which deliver a service to people affected by multiple sclerosis 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 rollout of the NDIS within the Group's jurisdictions was substantially completed at 30 June 2019. The result for service delivery activities during the year reflects the Group's investment in growth in NDIS services.

Directors' report

For the year ended 30 June 2019

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

Impairment of property, plant and equipment

The impairment of property, plant and equipment of $1,721,116 (2018: $600,428) results from the Group's continued work to renew its Lidcombe facility. In the prior year, it was determined that the hydrotherapy pool within the Lidcombe facility would never become operational and its value impaired.

In the current year, the Group successfully reached an agreement with the New South Wales Government regarding the redevelopment of the Lidcombe facility. As a result, the Lidcombe land was transferred to the Minister for Public Works to facilitate redevelopment and the Group now operates the facility under a short-term occupancy licence. The value of the building and fixed plant was impaired as at 30 June 2019 because it has no ongoing value to the Group. The Group will ultimately hold freehold title to a portion of the existing Lidcombe site and will also receive capital funding to construct a new facility on the portion of the site which will be owned by the Group.

Discontinued operations

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 have been classified as discontinued operations. The comparative results have been adjusted to reflect this classification and the impact of the reclassification is described in note 11.

The net surplus of the Group for the year 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 is the net surplus generated by the sale of the two businesses.

	2019 $	2018 $
Deficit from the discontinued home care business	(91,036)	(683,063)
Deficit from the discontinued cleaning services business	(2,436,129)	(689,644)
Net surplus / (deficit) resulting from sale of controlled entities	5,916,262	(1,577,239)
	3,389,097	(2,949,946)

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.

Directors' report

For the year ended 30 June 2019

4 Likely developments

During the year, the Group welcomed John Blewonski, as new Chief Executive Officer. John brings significant experience and leadership in the community services and not-for-profit sector to the role and, since joining the Group, has worked closely with the Board and Executive team in the development of a new Strategic Plan which will be officially launched at the 2018/19 Annual General Meeting.

The Strategic Plan has considered what the Group should do in order to:

a) Have the greatest impact for People with Multiple Sclerosis (PwMS) and their carers;

b) Respond to the emerging and evolving reform environment; and

c) Ensure the Group remains a viable, relevant and sustainable organisation.

In developing the Strategic Plan, the Board has given significant emphasis on stakeholder consultations including those with service users, their carers, staff, volunteers, government at all levels, peak bodies, health professionals and other organisations working with a broad range of neurological disorders. The various strategies identified will support:

a) An enhanced focus on trusted stakeholder relationships to ensure the Group is positioned as a "go to" organisation, particularly in the provision of information, education and services for PwMS.

b) Continued recognition that our funding needs increased levels of diversification including from government, fundraising and fee-for-services income, in order for the Group to remain financially viable and sustainable into the future.

c) Building the Group's internal capacity to drive innovation and future business development opportunities and where appropriate bring a strong commercial focus to the marketised service environment in which we now operate.

The development of our new Strategic Plan has caused the Board to review the proposed divestment of the Nerve Centre in Blackburn and relocation to Box Hill. Consideration of future development opportunities for the site are now underway with the focus on identifying the best utilisation of the site to support the delivery of our future Operating Model and PwMS. At the same time progress continues to be made in planning for the re-development of the Lidcombe site.

5 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.

6 Dividends

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

7 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.

Directors' report

For the year ended 30 June 2019

8 Indemnification and insurance of officers and auditors indemnification

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

(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.

9 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.

Subsequent to year end, the Group decided to sell its property at Box Hill. An offer to purchase the property has been received but a contract to sell the property has not yet been executed. At the date of this report, the accounting for the sale has yet to be finalised but the Group expects to recover its investment in the property in full.

10 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 50 and forms part of the Directors' report for the financial year ended 30 June 2019.

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

Mr William Peter Day
Director

Dated at Melbourne on the 2nd day of October 2019.

Consolidated statement of surplus or deficit and other comprehensive income

For the year ended 30 June 2019

In AUD	Note	2019 $	2018 $
Continuing Operations			
Revenue	8	38,530,850	22,195,455
Other income	9	13,211,924	15,638,907
Net finance income	10	977,485	923,695
Total revenue and other income from operating activities		52,720,259	38,758,057
Expenditure			
Employee expenses	9	22,643,709	18,970,497
Advertising and marketing		5,695,948	2,431,101
Rental expenses		2,586,862	2,249,491
Awards and prizes		6,826,215	1,542,102
Consultants		1,933,547	1,530,838
Client expenses		1,714,060	1,449,039
Depreciation	14	846,239	896,981
Amortisation	15	184,904	179,085
Impairment loss / (reversal) on trade receivables		38,657	(7,366)
MSA contribution		587,871	576,910
Research expenses		314,597	112,909
MSRA contribution		330,000	330,000
Other expenses		7,083,096	5,107,784
		50,785,705	35,369,371
Surplus from operating activities		**1,934,554**	**3,388,686**
Surplus from sale of property, plant and equipment		4,240	403,655
Impairment of property, plant and equipment	14	(1,721,116)	(600,428)
Net surplus before income tax		**217,678**	**3,191,913**
Income tax expense		-	-
Net surplus for the year from continuing operations		**217,678**	**3,191,913**
Discontinued Operations			
Surplus / (deficit) from discontinued operations	11	3,389,097	(2,949,946)
Net surplus for the year		3,606,775	241,967
Other comprehensive income			
Available for sale financial assets - net change in fair value*		-	(56,867)
Equity-accounted investees - share of other comprehensive income		-	-
Total other comprehensive income / (deficit)		-	(56,867)
Total comprehensive income for the year		3,606,775	185,100

* Refer to note 30 for change in accounting policy

The notes on pages 14 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2019

In AUD	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	12	6,212,810	12,722,303
Other financial assets		-	315,657
Trade and other receivables	13	2,393,639	10,337,874
Assets held for sale - discontinued operations	11	-	7,150,274
Total current assets		8,606,449	30,526,108
Property, plant and equipment	14	24,080,241	25,424,578
Intangible assets	15	1,078,950	86,500
Equity-accounted investees	16	-	-
Other investments	17	18,737,411	11,376,140
Total non-current assets		43,896,602	36,887,218
Total assets		52,503,051	67,413,326
Liabilities			
Bank overdraft	12	-	865,067
Trade and other payables	19	6,381,055	6,668,045
Deferred income / revenue	20	1,041,769	8,609,940
Employee benefits	21	2,621,739	5,396,836
Provisions	22	2,283,798	-
Liabilities held for sale - discontinued operations	11	-	10,752,443
Total current liabilities		12,328,361	32,292,331
Deferred income / revenue	20	3,467,680	1,795,354
Employee benefits	21	309,295	227,212
Provisions	22	-	307,489
Total non-current liabilities		3,776,975	2,330,055
Total Liabilities		16,105,336	34,622,386
Net assets		36,397,715	32,790,940
Members' funds			
Retained earnings		35,991,967	31,245,846
Financial assets fair value reserve	30	-	896,376
Bequest reserves		405,748	648,718
Total members' funds		36,397,715	32,790,940

The notes on pages 14 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2019

In AUD	Note	Retained earnings $	Fair value reserve* $	Bequest reserve $	Total $
Balance at 1 July 2017		30,912,440	953,243	740,157	32,605,840
Total comprehensive income for the year					
Net surplus for the year		241,967	-	-	241,967
Other comprehensive income / (deficit)		-	(56,867)	-	(56,867)
Total comprehensive income for the year		241,967	(56,867)	-	185,100
Transfers from bequest reserve to retained earnings		91,439	-	(91,439)	-
Balance at 30 June 2018		31,245,846	896,376	648,718	32,790,940
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	30	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
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

* Refer to note 30 for change in accounting policy

The notes on pages 14 to 48 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2019

In AUD	Note	2019 $	2018 $
Cash flows from continuing operating activities			
Cash receipts in the course of operations		57,826,049	43,127,629
Cash payments in the course of operations		(54,764,825)	(34,639,775)
Cash generated in the course of operations		3,061,224	8,487,854
Interest and financial income		569,600	890,989
Interest expense		-	(99)
Net cash flows from continuing operations		3,630,824	9,378,744
Net cash flows from discontinued operations		(3,184,165)	(3,270,796)
Net cash flows from operating activities		446,659	6,107,948
Cash flows from investing activities			
Proceeds from other financial assets		315,657	7,012,836
Reinvestment in available-for-sale financial assets		(531,075)	(48,012)
Payments for acquisition of available-for-sale financial assets		(6,450,628)	(6,500,000)
Payments for acquisition of intangible assets		-	(53,206)
Proceeds from sale of property, plant and equipment		10,310	2,328,489
Payments for acquisition of property, plant and equipment		(2,938,529)	(12,874,870)
Net cash (used in) investing activities - continuing operations		(9,594,265)	(10,134,763)
Net cash flows from investing activities - discontinued operations		3,503,180	-
Net cash (used in) investing activities		(6,091,085)	(10,134,763)
Cash flows from financing activities			
Net cash flows (used in) financing activities		-	-
Net (decrease) in cash and cash equivalents		(5,644,426)	(4,026,815)
Cash and cash equivalents at beginning of the year		11,857,236	15,884,051
Cash and cash equivalents at end of the year	12	6,212,810	11,857,236

The notes on pages 14 to 48 are an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2019

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

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 2019.

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 28.

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 9 Financial Instruments has been applied. Changes to significant accounting policies are described in Note 30.

These financial statements were authorised for issue by the Board of Directors on 2 October 2019. Details of the Group's significant accounting policies are included in Note 31.

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 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 16 - classification of the joint arrangement; and
- Note 22 - recognition and measurement of provisions: key assumptions about the liklihood and magnitude of an outflow of resources.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

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 2019

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 2019

In AUD	2019 $	2018 $
8 Revenue		
Revenue	38,530,850	22,195,455
Total revenue	38,530,850	22,195,455
Disaggregation of revenue		
Sales and lottery income	18,658,490	3,611,432
Government income	7,643,945	12,519,707
Fee for service income	11,777,747	5,660,606
Event income	450,668	403,710
Total revenue	38,530,850	22,195,455
9 Other income and expenses		
Other income		
Donation and sponsorship income	8,859,420	8,491,932
Bequest income	1,791,844	4,232,177
Specific purpose funding / income	1,128,849	1,666,501
Other income	1,431,811	1,248,297
Total other income	13,211,924	15,638,907
Employee expenses		
Wages and salaries and other employee expenses	20,581,285	17,602,313
Contribution to defined contribution superannuation funds	1,866,326	1,533,425
Movement in liability for annual leave	195,223	(49,650)
Movement in liability for long service leave	875	(115,591)
Total employee expenses	22,643,709	18,970,497
10 Net finance income		
Finance Income		
Interest income	66,842	363,651
Dividend income - Equity securities at FVTPL	441,947	-
Distribution income	89,128	527,338
Financial assets at FVTPL - net change in fair value	379,568	-
Profit on sale - investments	-	32,805
Other finance costs	-	(99)
Net finance income	977,485	923,695

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

11 Discontinued operations

During the year, the Group sold its Nationwide Health & Aged Care business. Accordingly, the Nationwide Health & Aged Care business is considered a discontinued operation as at 30 June 2019.

During the prior year, the Group entered into a conditional contract to sell all of its shares in 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). Settlement under this contract occurred on 30 July 2018. Accordingly the Home Care business was considered a discontinued operation for reporting purposes as at 30 June 2018.

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

	2019 $	2018 $
Revenue from discontinued operations		
Australian Home Care Services	3,815,584	47,506,967
Nationwide Health & Aged Care	13,642,600	22,614,540
Total revenue from discontinued operations	17,458,184	70,121,507
Expenses from discontinued operations		
Australian Home Care Services		
Amortisation expense	-	170,546
Depreciation expense	26,657	313,621
Impairment of trade receivables	194,159	-
Other expenses	3,685,804	47,705,863
Nationwide Health & Aged Care		
Amortisation expense	-	1,467,648
Depreciation expense	196,645	814,441
Other expenses	15,882,084	22,599,334
Total expenses from discontinued operations	19,985,349	73,071,453
Net gain on realisation of discontinued businesses	5,916,262	-
Pre-tax surplus / (deficit) from discontinued operations	3,389,097	(2,949,946)
Income tax applicable to discontinued operations	-	-
Net surplus / (deficit) from discontinued operations	3,389,097	(2,949,946)
Assets held for sale - discontinued operations		
Property, plant and equipment (net)	-	1,047,667
Goodwill	-	5,921,149
IT outsourcing and infrastructure	-	181,458
	-	7,150,274
Liabilities held for sale - discontinued operations		
Employee entitlements - annual leave	-	3,467,781
Employee entitlements - long service leave	-	2,838,078
Deferred income and income in advance	-	3,648,695
Provision for cost of sale	-	797,889
	-	10,752,443

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

In AUD	2019 $	2018 $
12 Cash and cash equivalents		
Bank balances	6,208,253	12,714,673
Cash on hand	4,557	7,630
Bank overdrafts used for cash management purposes	-	(865,067)
	6,212,810	11,857,236
Disclosed as:		
Cash and cash equivalents	6,212,810	12,722,303
Bank overdrafts used for cash management purposes	-	(865,067)
	6,212,810	11,857,236
13 Trade and other receivables		
Trade receivables	1,353,238	7,930,832
Other receivables	95,227	110,707
Prepayments	514,219	1,470,126
Accrued income	430,955	826,209
	2,393,639	10,337,874

Trade receivables are shown net of an allowance for impairment losses of $536,998 (2018: $315,857).

Impairment losses on trade receivables recognised in surplus or deficit were $232,816 (disclosed as continuing operations $38,657 and discontinued operations $194,159).

	2019 $	2018 $
14 Property, plant and equipment		
Land and buildings		
At cost	26,125,614	28,219,186
Accumulated depreciation and impairment	(5,064,662)	(5,766,969)
Carrying amount	21,060,952	22,452,217
Plant and equipment		
At cost	4,166,657	7,769,226
Accumulated depreciation	(3,290,668)	(5,840,473)
Carrying amount	875,989	1,928,753
Motor vehicles		
At cost	93,967	328,217
Accumulated depreciation	(93,967)	(282,393)
Carrying amount	-	45,824
Capital work in progress		
At cost	2,143,300	787,776
Carrying amount	2,143,300	787,776
Total carrying amounts	24,080,241	25,424,578

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

14 Property, plant and equipment (Continued)

Movement in carrying values	Land and buildings	Plant and equipment	Motor vehicles	Make Good	Capital work in progress	Total
	$	$	$	$	$	$
Balance at 1 July 2018	22,452,217	1,928,753	45,824	210,008	787,776	25,424,578
Additions	644,426	234,284	-	-	2,059,819	2,938,529
Capitalisation of WIP	201,152	29,788	-	-	(230,940)	-
Disposals	-	(282,325)	(45,824)	(210,008)	-	(538,157)
Depreciation	(552,120)	(294,119)	-	-	-	(846,239)
Impairment (1)	(1,721,116)	-	-	-	-	(1,721,116)
Transfers (2)	36,393	(740,392)	-	-	(473,355)	(1,177,354)
Balance at 30 June 2019	21,060,952	875,989	-	-	2,143,300	24,080,241

(1) During the financial year, an impairment of $1,721,116 was recorded as an expense in the consolidated statement of surplus or deficit and other comprehensive income (2018: $514,853). This imparment relates to the Group's Lidcombe property which is scheduled for redevelopment.

(2) Reclassification to software assets (refer Note 15)

(3) Refer to note 24 for detail of a deed of charge over property

15 Intangible assets

	2019	2018
	$	$
Software		
At cost	1,541,944	350,128
Accumulated amortisation	(549,494)	(350,128)
Carrying amount	992,450	-
Property Equity Interest		
At cost	86,500	86,500
Accumulated amortisation	-	-
Carrying amount	86,500	86,500
Total carrying amounts	1,078,950	86,500

Movement in carrying values	Software	Property Equity Interest	Total
	$	$	$
Balance at 1 July 2018	-	86,500	86,500
Amortisation	(184,904)	-	(184,904)
Transfers (1)	1,177,354	-	1,177,354
Balance at 30 June 2019	992,450	86,500	1,078,950

(1) Reclassification from property, plant and equipment (refer Note 14)

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

In AUD	2019 $	2018 $
16 Equity-accounted investees		
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 (2018: 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 2019 and 30 June 2018, 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.

17 Other investments

The effect of initially applying AASB 9 in the Group's financial statements is described in Note 30. Due to the transition method chosen in applying AASB 9, comparative information has not been restated to reflect the new requirements.

	2019 $	2018 $
Non-current Investments		
Available for sale equity and debt securities at fair value	-	11,376,140
Equity securities - at FVTPL	7,428,779	-
Other financial assets - at FVTPL	11,308,632	-
	18,737,411	11,376,140

18 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

18 Financial instruments - fair values and risk management (continued)

Currency and market risk (continued)

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.

19 Trade and other payables

	2019 $	2018 $
Trade payables	4,588,741	2,035,050
Other trade payables and accrued expenses	1,182,690	4,476,752
Payables to related entities	609,624	156,243
	6,381,055	6,668,045

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

In AUD	2019 $	2018 $
20 Deferred income / revenue		
Current		
Government funding received in advance	314,215	2,524,014
Government capital grants received in advance	-	92,534
Other income received in advance	727,554	5,993,392
	1,041,769	8,609,940
Non current		
Government capital grants received in advance	3,467,680	1,795,354
	3,467,680	1,795,354

The non current deferred income 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.

	2019 $	2018 $
21 Employee benefits		
Current		
Salaries and incentives	430,653	1,496,515
Liability for annual leave	1,147,380	2,394,729
Liability for long service leave	1,043,706	1,505,592
	2,621,739	5,396,836
Non current		
Liability for long service leave	309,295	227,212
	309,295	227,212
22 Provisions		
Current		
Redundancies	150,000	-
Provision for onerous lease	2,133,798	-
	2,283,798	-
Non current		
Make good provision	-	307,489
	-	307,489

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

22 Provisions (continued)

	Redund-ancies	Onerous Lease	Make Good	Total
Balance at 1 July 2018	-	-	307,489	307,489
Provisions made during the year [(1)]	150,000	1,826,309	-	1,976,309
Reclassification	-	307,489	(307,489)	-
Balance at 30 June 2019	150,000	2,133,798	-	2,283,798

[(1)] Provisions made during the year are included as costs of sale and form part of the net profit on sale of investment in controlled entities (see note 9).

The Group recognised a provision for redundancies representing the expected cost of redundancies still to be paid by the Group resulting from the sale of the Nationwide Cleaning Services business.

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 previously shown as non current ($307,489) which is expected to be settled when the premises are sublet or assigned to another party.

23 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.

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

25 Operating leases

The Group leases shop and office premises, motor vehicles and equipment under operating leases expiring from one month to eight 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 based on movements in the Consumer Price Index.

	2019	2018
	$	$
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,814,939	1,321,857
Between one and five years	4,081,501	2,933,189
	5,896,440	4,255,046

26 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.

Subsequent to year end, the Group decided to sell its property at Box Hill. An offer to purchase the property has been received but a contract to sell the property has not yet been executed. At the date of this report, the accounting for the sale has yet to be finalised but the Group expects to recover its investment in the property in full.

27 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 Ltd (BSB)

BSB is the joint venture vehicle which manages some of the Group's major fundraising events (refer Note 16).

Transactions with related parties

The Group is a member of MSA. During the year, national subscription fees of $587,871 (2018: $576,910) were paid to MSA. In addition, research funding of $330,000 (2018: $330,000) was provided 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 a management fee and a 50% share of the surplus generated through the operation of the major events conducted by the joint venture.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

27 Related parties (continued)

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 $1,328,962 for the year (2018: $2,329,935).

	Note	2019 $	2018 $
Assets and liabilities with related parties			
Net (payable) to Multiple Sclerosis Australia		(23,114)	-
Net (payable) to Multiple Sclerosis Research Australia		-	(156,243)
Net (payable) to Blue Sky Boundaries Pty Ltd		(586,510)	-
Net amount (owing) / receivable	19	(609,624)	(156,243)

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

28 List of controlled entities

	Country of incorporation	2019	2018
Parent entity			
Multiple Sclerosis Limited	Australia		
Significant subsidiaries and their controlled entity			
Ablecare Attendant Care Pty Ltd (Dormant)	Australia	0%	100%
Australian Home Care Services Pty Ltd	Australia	0%	100%
Australian Home Care Services Unit Trust	Australia	100%	100%
- Healthcare At Home Australia Pty Ltd (Dormant)	Australia	0%	100%
Multiple Sclerosis Services Limited	Australia	100%	100%

	2019 $	2018 $
The Company's investment in controlled entities comprise the following:		
Ablecare Attendant Care Pty Ltd (Dormant)	-	2
Australian Home Care Services Pty Ltd	-	2
Australian Home Care Services Unit Trust	-	4,841,857
	-	4,841,861

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

	2019 $	2018 $
29 Parent entity disclosures		
Results of the parent entity		
(Deficit) / surplus for the year	(3,472,282)	246,526
Other comprehensive income	-	(56,867)
Total comprehensive income for the year	(3,472,282)	189,659
Financial position of the parent entity at year end		
Current assets	8,061,725	22,399,770
Total assets	51,958,327	57,773,015
Current liabilities	11,783,637	15,700,264
Total liabilities	15,342,069	17,684,475
Total equity of the parent entity at year end		
Accumulated surplus	35,991,967	38,543,446
Fair value reserve	-	896,376
Bequest Reserves	405,748	648,718
Total Equity	36,397,715	40,088,540

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 2019

30 Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 31 to all periods presented in these consolidated financial statements.

Reclassifications on change in Group structure

Following the divestment of the Group's investment in the Australian Home Care Services Unit Trust, the reclassification of balances to discontinued operations results in a substantial reclassification of the 2018 comparative information. The prior year disclosures are reconciled to the current year disclosures as follows:

	2018 Restated $	2018 Reported $
Revenue		
Fundraising		16,629,318
Rendering of services		42,386,422
Corporate services		811,901
Other income		600,510
Total Revenue and other income from operating activities		60,428,151
Sales and lottery income	3,611,432	
Government income	12,519,707	
Fee for service income	5,660,606	
Event income	403,710	
Total revenue as reported on the statement of surplus or deficit and other comprehensive income	22,195,455	
Donation and sponsorship income	8,491,932	
Bequest income	4,232,177	
Specific purpose funding / income	1,666,501	
Other income	1,248,297	
Total other income as reported on the statement of surplus or deficit and other comprehensive income	15,638,907	
Income from discontinued operations	22,593,789	
Total Revenue and other income from operating and discontinued operations	60,428,151	

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

30 Change in accounting policy (continued)

Reclassifications on change in Group structure (continued)

	2018 Restated $	2018 Reported $
Expenses		
Amortisation and impairment expenses		1,893,216
Depreciation expenses		1,464,939
Employee expenses		38,284,834
Rental expenses		2,164,787
MSA contribution		576,910
MSRA research contribution		442,909
Other expenses		15,423,199
Total expenses from operating activities		60,250,794
Employee expenses	18,970,497	
Advertising and marketing	2,431,101	
Rental expenses	2,249,491	
Awards and prizes	1,542,102	
Consultants	1,530,838	
Client expenses	1,449,039	
Depreciation	896,981	
Amortisation	179,085	
Impairment loss on trade receivables	(7,366)	
MSA contribution	576,910	
Research expenses	112,909	
MSRA contribution	330,000	
Other expenses	5,107,784	
Total expenses from operating activities	35,369,371	
Expenses from discontinued operations		
Amortisation expense	1,467,648	
Depreciation expense	814,441	
Other expenses	22,599,334	
	24,881,423	
Total expenses from operating and discontinued operations	60,250,794	

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

30 Change in accounting policy (continued)

Initial Application of AASB 9

The Group has initially applied AASB 9, including any consequential amendments to other standards, from 1 July 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

The effect of initially applying these standards is mainly attributed to the following:

- reclassification of available for sale financial assets to equity securities at FVTPL and other financial assets at FVTPL;
- opening balance adjustment to transfer the balance of the financial assets fair value reserve to retained earnings.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

As a result of the adoption of AASB 9, the Group has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to $Nil, recognised under AASB 139, from other expenses to impairment loss on trade receivables in the statement of surplus or deficit and OCI for the year ended 30 June 2018. Impairment losses on other financial assets are presented under finance costs, similar to the presentation under AASB 139, and not presented separately in the statement of surplus or deficit and OCI due to materiality considerations.
Additionally, the Group has adopted consequential amendments to AASB 7 Financial Instruments: Disclosures that are applied to disclosures related to 2019 but have not been generally applied to comparative information.

The accumulated unrealised gains recorded in the financial assets fair value reserve as at 30 June 2018 ($896,375) were transferred to retained earnings as an opening balance adjustment as a result of the transition to AASB 9.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

As a result of adopting AASB 9, the Group's available for sale financial assets were reclassified to other financial assets at FVTPL or equity securities at FVTPL. The Group did not elect to treat any equity investments as equity securities at FVOCI (refer note 31(l) for financial instrument accounting policy) .

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

30 Change in accounting policy (continued)

AASB 9 Financial Instruments (continued)

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 was $nil.

	Original classific-ation under AASB 139	New classific-ation under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets				
Equity and debt securities	Available-for-sale	FVTPL	11,376,140	11,376,140
Trade and other receivables	Loans and receivables	Amortised cost	8,041,539	8,041,539
Cash and cash equivalents	Loans and receivables	Amortised cost	12,722,303	12,722,303
Total financial assets			32,139,982	32,139,982
Financial liabilities				
Bank overdrafts	Other financial liabilities	Other financial liabilities	865,067	865,067
Trade payables	Other financial liabilities	Other financial liabilities	6,668,045	6,668,045
Total financial liabilities			7,533,112	7,533,112

The equity and debt securities represent investments that the Group intends to hold for the long term for strategic purposes. The Group has not elected to designate any equity investments as measured at FVOCI at the date of initial application of AASB 9.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. An increase of $nil in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to AASB 9.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 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 30).

(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 2019

31 Significant accounting policies (continued)

(b) Revenue

Revenue is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table also provides information about the expected impact of adopting the new accounting standards, AASB 15 and AASB 1058, specifically the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Nature and timing of satisfaction of performance obligations, including significant payment terms	Expected revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (current policy)
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 is recognised when the goods are delivered or released to the customer.	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.	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 2019

31 Significant accounting policies (continued)

Nature and timing of satisfaction of performance obligations, including significant payment terms	Expected revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition under AASB 118 (current policy)
Fees for Services Invoices for services provided under the National Disability Insurance Scheme are issued fortnightly and are payable by the National Disability Insurance Agency or the relevant participant on receipt of the invoice or claim. Invoices for services rendered to residents in accommodation are issued fortnightly and are payable on receipt.	Revenue is recognised at the time the service is delivered to the customer.	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 2019

31 Significant accounting policies (continued)

Nature and timing of satisfaction of performance obligations, including significant payment terms	**Expected revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)**	**Revenue recognition under AASB 118 (current policy)**
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 2019

31 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 deferred income in the consolidated statement of financial position.

(ii) Bequests

Bequests receipts are recognised as revenue at fair value on receipt except where there are obligations attached to the bequest that have yet to be satisfied.

Where specific obligations have yet to be performed the funds are recorded as deferred income in the consolidated statement of financial position.

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 deferred income. 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 2019

31 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 2019

31 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 2019

31 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.

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(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 - policy applicable from 1 July 2018

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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(l) Financial instruments (continued)

Financial assets - Business model assessment: policy applicable from 1 July 2018

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: policy applicable from 1 July 2018

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: policy applicable from 1 July 2018

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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(l) Financial instruments (continued)

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 assets - policy applicable before 1 July 2018

The Group classified its financial assets into one of the follwing categories:
- loans and receivables;
- held to maturity;
- available for sale; or

at FVTPL, and within this category as:
- held for trading;
- derivative hedging instruments; or
- designated as at FVTPL.

Financial assets - Subsequent measurement and gains and losses
- policy applicable before 1 July 2018

(i) Non derivative financial assets

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

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

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

Loans and receivable, including other financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash balances and call deposits with original maturity of more than 3 months are classified as other financial assets.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(l) Financial instruments (continued)

Available-for-sale financial assets

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

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

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

(ii) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise bank overdrafts, and trade and other payables.

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

(m) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 July 2018

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable from 1 July 2018 (continued)

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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before 1 July 2018

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 entirety 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 activities in order to comply with the Group's procedures for recovery of amounts due.

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

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

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

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

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

Application of Accounting Standard AASB 139 to available-for-sale financial assets

In accordance with AASB 139 - Financial instruments: Recognition and measurement, subject to other evidence to the contrary and judgement, an available-for-sale financial asset is impaired if it has been below its accounting cost for a prolonged time, or by a significant amount. The Group used the criteria of 9 months or approximately 20% as its criteria for assessing impairment, which is undertaken on an individual portfolio basis.

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(m) Impairment (continued)

(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 or cash-generating unit ("CGU") 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 uses the estimated future cash flows expected to be generated by the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Provisions

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

Provisions for restructuring are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced.

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 2019

31 Significant accounting policies (continued)

(o) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

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

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Leases payments

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2019

31 Significant accounting policies (continued)

(p) New standards and interpretations not yet adopted

(i) *AASB 16 Leases*

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. Implementation of AASB 16 will result in the recognition of a right to use asset and lease liability associated with the Group's leased offices and retail premises.

(ii) *AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for not-for-profit entities.*

AASB 15 establishes a comprehensive framework for determining how much and when revenue is recognised. AASB 1058 establishes principles for not-for-profit entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and to volunteer services received.

These standards replace existing revenue recognition guidelines AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 and AASB 1058 are effective for annual reporting periods on or after 1 July 2019. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15 and AASB 1058, however does not expect a material impact on transition as disclosed in note 31(b).

Directors' declaration

For the year ended 30 June 2019

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 13 to 48 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 2019 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 2019.

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 William Peter Day
Director

Dated at Melbourne on the 2nd day of October 2019.

KPMG

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 2019 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

2 October 2019

KPMG

Independent Auditor's Report

To the members of Multiple Sclerosis Limited

Opinion

We have audited the ***Financial Report***, of the Multiple Sclerosis Limited (the Company).

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 2019, 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 2019.

ii. Consolidated statement of surplus or deficit and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year 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* (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.

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 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

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.

KPMG

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
2 October 2019