The Smith Family

everyone's family

**A.C.N. 000 030 179**

# FINANCIAL REPORT FOR THE YEAR ENDED
## 30 JUNE 2017

# THE SMITH FAMILY (A.C.N. 000 030 179)
# FINANCIAL REPORT
# FOR THE YEAR ENDED
# 30 JUNE 2017

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**Registered Office**
The Smith Family
Level 9, 117 Clarence Street
SYDNEY  NSW  2000

## DIRECTORS' REPORT

The directors of The Smith Family present their report for the year ended 30 June 2017.

### 1. The Directors

The following persons were directors of The Smith Family during the whole of the financial year and up to the date of this report unless otherwise stated:

A.K. Abey
L.M. Armstrong
C.N. Bartlett
C. Cawsey
S. A. Davis
J.A. Harmer
M.G. Johnson
A.J. Kloeden
J.C.R. Maycock
L.J. O'Brien
R. Storelli

### 2. Strategic Priorities

The Company's mission is to create opportunities for young Australians in need by providing long-term support for their participation in education.

Over the coming years, the Company's strategic priorities to support its mission are to:

(i) Grow our reach by 30% over five years while maintaining the effectiveness of our programs;

(ii) Develop a sustainable funding base to fund our scaling up and strategic initiatives;

(iii) Innovate to enable the children and young people we serve to thrive in a rapidly changing and increasingly challenging environment;

(iv) Amplify and accelerate our mission through digital and data;

(v) Be an authoritative and influential advocate with those who shape public policy on behalf of disadvantaged children and young people;

(vi) Be a destination employer in our sector. Ensure our systems are scalable and fit for purpose.

### 3. Principal Activities

The Company undertakes a number of activities to achieve its objectives:

*Policy and Programs*

The Company provides long-term support to children and young people in need through financial sponsorships to cover essential education costs as well as mentoring and other programs, to help keep them engaged with their education.

By working in multiple areas of influence the Company improves the likelihood of positive outcomes for them, their families and their wider communities, taking a ‘whole of community’ and evidence-informed approach to leverage and coordinate the skills and resources of parents, educational institutions, community organisations and businesses.

This year the Company's programs reached more than 153,000 young Australians and their parents or carers in 94 communities in every state and territory throughout Australia, which constitutes growth of an additional 26,000 program participants.

*Fundraising*

The Company increased its investment in fundraising in 2016-17 to support the implementation of its longer-term growth plans. This investment focused particularly on the core areas of Individual and Major Donor fundraising, enhancing our expertise and our market value proposition, and continuing to promote new and improved fundraising channels and activities. This investment is directed at the sustainable generation of the funds required to support planned growth in the organisation's work.

The Company continues to deliver an efficient cost-to-funds raised ratio. Over the last five years an average of four dollars in every five provided by our supporters (individual, community and Government) has been available to support programs benefiting disadvantaged children and their families.

Multi-year partnerships with business, government and educational institutions contributed $38.6 million in 2017 (2016: $30.9 million), while financial support from individual donors and sponsors totalled $41.7 million (2016: $38.1 million).

During the year the Company commenced soliciting contributions to the Children's Future Education Fund, donations to which are invested to generate revenue to support the education of disadvantaged students through the provision of *Learning for Life* scholarships and education-focussed support for communities in need. This year the Company received a total of $3.1 million into the fund through bequests of $2.7million and donations from individuals of $0.4 million.

*Volunteering*

Volunteers have continued to be important contributors to the achievement of our vision and mission. In 2017 volunteer time contributed was estimated to be 464,000 hours provided by 8,779 volunteers.

*Recycling Operations*

Recycling Operations include the collection, recycling and sale of secondhand goods to generate profits which offset infrastructure costs of the Company.

### 4. Dividends

The Company is prohibited by its Constitution from declaring dividends to members.

### 5. Liability of Members

The membership of the Company is classified as follows:

| | | |
|---|---|---|
| (i) | Governing Members | 31 |
| (ii) | Life Members | 24 |
| (iii) | Family Members | 112 |
| | **Total** | **167** |

Each member is liable to contribute a maximum of $1.00 for the payment of the Company's debts and liabilities in the event that the Company is wound up while they are a member or within one year of their ceasing to be a member. The total liability of members is limited to $167 (2016: $189).

## DIRECTORS' REPORT

## 6. Review of Operations

Revenue for the year increased by 10.3% to $118.9 million (2016: $107.9 million). During the year the Company continued to invest in the achievement of its five year strategy, increasing its expenditure on community programs in support of its mission to $65.9 million (2016: $61.4 million).

During the year the Company entered into a multi-year funding agreement with the Commonwealth which will support the growth of the *Learning for Life* Program by an additional 24,000 student scholarships by December 2020. Approximately 5,500 of these scholarships were in place by 30 June 2017.

The net surplus for the year was $6.0 million (2016: $4.3 million).

## 7. Information on Directors

| Director | Experience | Special Responsibilities |
|---|---|---|
| A.K. Abey<br>BEc, BA (Hons)<br>FFSIA | Non-executive Director since 2007; Co-founder and Chairman of ipac securities limited and Walsh Bay Partners Pty Ltd; Strategy Consultant and former General Manager of Strategy and Corporate Social Responsibility for the AXA Asia Pacific Group; extensive experience in investment and economic market research; has written extensively on investment matters in both the press and academic journals, and is the co-author of a number of books relating to money and well-being. | Chairman of the Finance, Audit & Risk Committee and the Endowment Fund Committee |
| L. M. Armstrong<br>Adv Dip in Community Management | Non-executive Director since 2016; Director of Wollatuka Institute; Chairperson of Supply Nation and member of the CSIRO Indigenous Advisory Council; Former member of the Prime Minister's Indigenous Advisory Council; Fellow of the University of Sydney Senate (2013-16); Chairperson of the Aboriginal Housing Office in NSW; former CEO of Reconciliation Australia (2010-14); Co-founder of Yarnteen Limited, a successful Indigenous enterprise operating several commercial and social ventures. She was recognised in the inaugural 2012 Australian Financial Review/Westpac 100 Influential Women Awards. | |
| C.N. Bartlett<br>BSc, MAICD | Chairman since May 2016 and Non-executive Director since 2007; Non-executive Director, Mirvac Limited, Sigma Pharmaceuticals, GBST Limited, TAL Life Limited and Clayton Utz; Member, UNSW Australia Business School Advisory Council; former Director, PropertyLook and National Nominees Limited and former Deputy Chairman of the Australian Custodial Services Association; extensive management experience with IBM, Jones Lang LaSalle and NAB. | Chairman of the Board; Member of the Corporate Governance, Finance, Audit & Risk, Endowment Fund and People & Culture Committees |
| C. Cawsey AM<br>FACEL, BA Dip Ed, MEd Admin | Non-executive Director since 2013; Principal of Rooty Hill High School and a Past President of the NSW Secondary Principals' Council; former member of the Premier's Council for Women; member of GWS Giants AFL team board; member of ACEL board; co-author of *Learning for Leadership - Building a School of Professional Practice* (2009). | |
| S.A. Davis | Non-Executive Director since 2016; a Founding Director and Non-executive Chairman of Quantium, a global leader in applied data analytics and technology; background in large corporate and high growth enterprise, and a Non-Executive Director and Advisor to a range of blue chipand early stage ventures; a former Chairman and Director of ADMA. | |
| Dr J.A. Harmer AO<br>BA (Hons), Dip Ed, PhD, FAIM, FIPAA, FANZSOG | Non-executive Director since 2013; Chair of the Private Health Ministerial Advisory Committee; Director of Capital Health Network in the ACT; Director of the Australian Housing and Urban Research Unit; former Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs (2004-2011) and of the Department of Education, Science and Training (2003-2004); former Managing Director of the Health Insurance Commission (1998-2003). | Member of the Corporate Governance Committee |
| M.G. Johnson<br>BComm, FCA, CPA, FAICD | Non-executive Director since 2012; Non-executive Director, Westfield Corporation; Coca-Cola Amatil Limited; The Hospital Contribution Fund of Australia Limited; and G8 Education Limited; Chairman MH Premium Farm Holdings Limited; former Non-executive Director, HSBC Bank Australia Limited; former Chief Executive Officer of PwC in Australia (2008-12) and Chairman of PwC Foundation, as well as filling senior roles over 15 years managing PwC's Assurance and Business Advisory Services line of services, and its Consumer and Industrial Products team and Audit, Technical, Risk and Quality groups; Member, UNSW Australia School of Business Advisory Council. | Member of the Finance, Audit & Risk Committee and the Endowment Fund Committee |
| A.J. Kloeden<br>MSc (Business Studies), BSc (Hons - Forestry), Hon. Doctorate, FAICD | Non-executive Director since April 2016; Chairman, Hancock Victorian Plantations Holdings Pty Ltd, Aquasure Pty Ltd, Infrastructure Partnerships Australia Ltd and Serco Asia Pacific Advisory Board; extensive experience in senior management roles in a range of companies in Australia and overseas involved in agribusiness, manufacturing, distribution, retail, technology and transport. | Chairman of the People & Culture Committee |
| J.C.R. Maycock<br>BEng (Hons), FAICD, FIPENZ | Non-executive Director since 2013; Chairman of AGL Energy Limited (Director since 2006) and Port of Brisbane Pty Limited; former Non-executive Director, Nuplex Limited; former Non-executive Director and Chairman, Arrium Ltd; former Managing Director and CEO of CSR Limited (2007-10); Inaugural Chairman, Cement Australia Pty Limited; former Member, UNSW Australia School of Business Advisory Council. | Chairman of the Corporate Governance Committee |
| Dr L.J. O'Brien<br>MBBS (Hons) MBA, MHR&C, FRACMA, GAICD | Executive Director since 2011; Non-executive Director, Community Council for Australia Limited and BUPA Australia and New Zealand Board; Member of the Panel for the Review to Achieve Educational Excellence in Australian Schools; a Medical Practitioner registered in New South Wales; former CEO of the Skin and Cancer Foundation of Australia; founding member of Lou's Place, a drop in centre providing respite and support for women in need; over 25 years' experience in health care, community services, bio-medical and information technology. | Chief Executive Officer; Member of the Corporate Governance Committee |
| R. Storelli<br>BEd Grad. Dip Stud Welf, M Ed Studies, AACE, FACEL, AFAIM, MAICD | Non-executive Director since April 2016; Adjunct Professor, School of Education, LaTrobe University; former Deputy Chancellor and Council Member, University of Melbourne; former Director, Ormond College and Invergowrie and Jean Chambers Foundations, former Vice-President of Girls Sport Australia; independent consultant at Queensland Education Leadership Institute; Educational Advisor at Cashtivity; extensive experience in the education sector over many years including 15 years as Principal of Methodist Ladies' College, and leadership roles at Wesley College and Geelong Church of England Grammar School. | Member of the People & Culture Committee |

The Company Secretary is B.M. Watkinson (BA, CPA, FGIA, FCIS). Mr Watkinson was appointed to the position of Company Secretary in 1995. Before assuming this role he held a number of other positions within the Company for a further period of 19 years.

## DIRECTORS' REPORT

### 8. Directors' Meetings

The number of directors' meetings held in the period each director held office during the financial year and the number of meetings attended by each director are:

| Director | Board of Directors | | Corporate Governance | | Finance and Audit | | People and Culture | | Endowment Fund | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number Held | Number Attended | Number Held | Number Attended | Number Held | Number Attended | Number Held | Number Attended | Number Held | Number Attended |
| A.K Abey | 7 | 7 | | | 3 | 3 | | | 1 | 1 |
| L.M. Armstrong | 5 | 4 | | | | | | | | |
| C.N. Bartlett | 7 | 7 | 4 | 4 | 3 | 3 | 2 | 2 | 1 | 1 |
| C. Cawsey | 7 | 6 | | | | | | | | |
| S.A. Davis | 5 | 5 | | | | | | | | |
| J.A. Harmer | 7 | 5 | 4 | 4 | | | | | | |
| M.G. Johnson | 7 | 4 | | | 3 | 2 | | | 1 | 1 |
| A.J. Kloeden | 7 | 6 | | | | | 2 | 2 | | |
| J.C.R. Maycock | 7 | 7 | 4 | 4 | | | | | | |
| L.J. O'Brien | 7 | 7 | 4 | 4 | | | | | | |
| R. Storelli | 7 | 6 | | | | | 2 | 2 | | |

### 9. Events Subsequent to Balance Date

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

### 10. Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year not otherwise disclosed in the financial report.

### 11. Likely Developments

In the opinion of the directors there are no likely changes in the operations of the Company which will adversely affect the results of the Company in subsequent financial years.

### 12. Environmental Regulation

The Company has complied with all relevant environmental requirements.

### 13. Indemnification and Insurance of Directors and Officers

The Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties. The premiums in respect of the policy are payable by the Company. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy and therefore the directors do not intend disclosing further particulars relating thereto.

### 14. Auditors' Independence Declaration

A copy of the auditors' independence declaration is set out on Page 4.

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

For and on behalf of the Board

C.N. Bartlett
Chairman

Sydney
25 September 2017

Ernst & Young
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## Auditor's Independence Declaration to the Directors of The Smith Family

In relation to our audit of the financial report of The Smith Family for the financial year ended 30 June 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Loretta Di Mento
Partner
25 September 2017

# THE SMITH FAMILY
# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| **Revenue** | | | |
| Fundraising | 2(e)(i); 5 | 72,676 | 68,408 |
| Government funding | 2(e)(iv); 5 | 26,474 | 19,367 |
| Revenue from sale of commercial goods | 2(e)(ii); 5 | 17,354 | 17,911 |
| Interest revenue | 2(e)(iii); 5 | 743 | 772 |
| | 5 | 117,247 | 106,458 |
| **Other Income** | | | |
| Other income | 6 | 1,873 | 1,294 |
| Net (loss)/gain on disposal of fixed assets | 6 | (175) | 104 |
| | 6 | 1,698 | 1,398 |
| **Total** | | 118,945 | 107,856 |
| **Expenses** | | | |
| Community Programs | 2(f) | 65,922 | 61,383 |
| Commercial expenses | | 15,482 | 16,508 |
| Fundraising | | 23,377 | 17,770 |
| Promotion | | 2,305 | 2,309 |
| VIEW Clubs | | 4,012 | 3,730 |
| Shared Services | | 1,865 | 1,870 |
| **Total Expenses** | | 112,963 | 103,570 |
| **Surplus before income tax** | | 5,982 | 4,286 |
| Income tax expense | 2(h) | - | - |
| **Net surplus for the year** | | 5,982 | 4,286 |
| **Other Comprehensive Income/(Loss)** | | | |
| Net fair value gain/(loss) | | 951 | (537) |
| Income tax on items of other comprehensive income for the year | | - | - |
| **Total Comprehensive Income/(Loss)** | | 6,933 | 3,749 |

The above statement should be read in conjunction with the accompanying notes.

# THE SMITH FAMILY
# STATEMENT OF FINANCIAL POSITION
# AS AT 30 JUNE 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 2(k), 8 | 10,975 | 11,310 |
| Other financial assets | 2(k), 8 | 17,200 | 15,758 |
| Receivables | 2(l), 9 | 2,193 | 1,707 |
| Inventories | 2(m), 10 | 1,650 | 1,009 |
| Total current assets | | 32,018 | 29,784 |
| **Non-current assets** | | | |
| Available-for-sale financial assets | 2(n)(iii); 11 | 26,730 | 21,427 |
| Property, plant and equipment | 2(o), 12 | 4,048 | 3,633 |
| Intangible assets | 2(p), 13 | 1,047 | 1,580 |
| Total non-current assets | | 31,825 | 26,640 |
| **Total assets** | | 63,843 | 56,424 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | 2(q), 14 | 6,785 | 6,343 |
| Provisions | 2(s, t), 15 | 5,631 | 4,648 |
| Other | 2(e)(iv), 16 | 10,553 | 11,385 |
| Total current liabilities | | 22,969 | 22,376 |
| **Non-current liabilities** | | | |
| Provisions | 2(s, t), 17 | 1,310 | 1,417 |
| Total non-current liabilities | | 1,310 | 1,417 |
| **Total liabilities** | | 24,279 | 23,793 |
| **Net assets** | | 39,564 | 32,631 |
| **Accumulated funds** | | | |
| Retained surplus | 18(a) | 34,634 | 32,819 |
| Endowment fund reserve | 18(b) | 4,328 | - |
| Investment revaluation reserve | 18(c) | 602 | (188) |
| **Total accumulated funds** | | 39,564 | 32,631 |

The above statement should be read in conjunction with the accompanying notes.

# THE SMITH FAMILY
# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2017

| | Retained Surplus $'000 | Endowment Fund Reserve $'000 (Note 2(v)) | Investment Revaluation Reserve $'000 | Total Accumulated Funds $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2016** | | | | |
| **As at 1 July 2015** | 28,533 | - | 349 | 28,882 |
| Surplus for the year | 4,286 | - | - | 4,286 |
| Other comprehensive income/(loss) | - | - | (537) | (537) |
| **Total comprehensive income/(loss)** | 4,286 | - | (537) | 3,749 |
| **As at 30 June 2016** | 32,819 | - | (188) | 32,631 |
| **Year ended 30 June 2017** | | | | |
| **As at 1 July 2016** | 32,819 | - | (188) | 32,631 |
| Surplus for the year | 2,940 | 3,042 | - | 5,982 |
| Transfer between reserves | (1,125) | 1,125 | - | - |
| Other comprehensive income/(loss) | - | 161 | 790 | 951 |
| **Total comprehensive income/(loss)** | 1,815 | 4,328 | 790 | 6,933 |
| **As at 30 June 2017** | 34,634 | 4,328 | 602 | 39,564 |

The above statement should be read in conjunction with the accompanying notes.

**THE SMITH FAMILY**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2017**

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from fundraising and government funding | | 101,525 | 81,871 |
| Receipts from sale of commercial goods | | 17,353 | 19,106 |
| Payments to suppliers, employees and for client assistance | | (115,203) | (103,185) |
| **Net cash inflow / (outflow) from operating activities** | 23 | 3,675 | (2,208) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment and intangibles | | (1,465) | (1,681) |
| Proceeds from sale of property, plant and equipment | | - | 346 |
| Proceeds from available-for-sale financial assets | | 753 | 145 |
| Interest received | | 649 | 804 |
| Purchase of available-for-sale financial assets | | (3,722) | (2,443) |
| Dividends received | | 1,217 | 616 |
| **Net cash inflow / (outflow) from investing activities** | | (2,568) | (2,213) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | - |
| **Net cash inflow / (outflow) from financing activities** | | - | - |
| **Net increase / (decrease) in cash and cash equivalents** | | 1,107 | (4,421) |
| Cash and cash equivalents at the beginning of the financial year | | 27,068 | 31,489 |
| **Cash and cash equivalents at the end of the financial year** | 8(a) | 28,175 | 27,068 |

The above statement should be read in conjunction with the accompanying notes.

## 1 Corporate information

The financial report of The Smith Family (the Company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 25 September 2017.

The Smith Family is a company limited by guarantee, incorporated and domiciled in Australia.

The nature of the operations and principal activities of The Smith Family are described in the Directors' Report.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Charities and Not-for-Profits Commission. The financial report has also been prepared on a historical cost basis, except for financial assets and liabilities, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

### (b) Statement of compliance

The general purpose financial report complies with Australian Accounting Standards. Some Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements, including Australian Accounting Standards AASB 102 Inventories, AASB 116 Property, Plant and Equipment, AASB 136 Impairment of Assets and AASB 1004 Contributions.

### (c) New accounting standards and interpretations

***(i) Changes in accounting policies, new and amended standards and interpretations***

The accounting polices adopted are consistent with those of the previous financial year.

***(ii) New standards and interpretations not yet adopted***

Certain Australian Accounting Standards and AASB interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2017. The directors have not early-adopted any of these new or amended standards or interpretations.

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets. The requirements improve and simplify the approach for classification and measurement for financial assets compared with the requirements of AASB 139. AASB 9 will become mandatory for the Company's 30 June 2018 financial statements, and is not expected to have a material impact on the financial statements.

There are no new interpretations which are expected to have any impact on the Company's financial statements.

### (d) Foreign currency translation

***(i) Functional and presentation currency***

The financial statements are presented in Australian dollars, which is also the Company's functional currency.

***(ii) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

### (e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to The Smith Family and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***(i) Fundraising revenue***

Fundraising revenue (with the exception of the value of donated goods and services and revenue from Government tied to future program expenditure) and revenue from VIEW Clubs is recognised generally when the cash is received. Bequests of shares and other securities are brought to account at their values on the date of receipt. Accruals are made for donations which are received before but banked after the year-end.

***(ii) Sales revenue***

Revenue from sales of commercial goods represents revenue earned from the sale of commercial products, net of returns, trade allowances and duties and taxes paid, arising from the recycling and sale of textiles and the retail sale of secondhand clothing, together with sales of general merchandise through point of sale and online outlets.

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risks have been passed to the carrier or customer.

***(iii) Interest Revenue***

Where the interest rate is fixed, revenue is recognised as interest accrues. Where the interest rate is variable and the amount of interest cannot reliably be estimated, revenue is recognised as interest is received.

***(iv) Government Grants***

Government grants are recognised as revenue where there is reasonable assurance that the grant will be received and all attached conditions complied with:
- the entity obtains control of the contribution or the right to receive the contribution;
- it is probable that the economic benefits comprising the contribution will flow to the entity; and
- the amount of the contribution can be measured reliably

Management judgement is required in determining when control of the funding received is obtained by the Company through compliance with the attached conditions and by meeting the envisaged obligation to spend the funding on specific social and community projects.

***(v) Dividends***

Dividends on available-for-sale listed shares are recognised when the Company's right to receive the payment is established.

### (f) Community Programs Expenditure

Community Programs expenditure includes direct scholarship and other assistance to students and their families, the cost of personal support attributable to the programs, payments to community partners for contracted services, the cost of research and advocacy and an allocation of overhead costs by way of an administration charge. Total Community Programs expenditure for the year was $65,922,000 (2016: $61,383,000).

### (g) Repairs and Maintenance

Certain plant of the Company is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a key component of an asset, in which case the costs are capitalised and depreciated in accordance with note 2(o). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

## 2 Summary of significant accounting policies (continued)

### (h) Income tax

The Smith Family is a public benevolent institution and as such is exempt from the payment of income tax.

### (i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

### (k) Cash and cash equivalents, other financial assets

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Other financial assets in the statement of financial position comprise short-term deposits with a maturity of more than three months.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### (l) Trade receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (m) Inventories

Inventories are valued at the lower of cost and current replacement cost.

***Raw materials and stores, work in progress and finished goods***

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of the "FIFO" (first in first out) method of stock costing. Replacement cost is the estimated cost of replacement in the ordinary course of business.

***Donated inventories held for distribution***

Donated goods held for distribution are stated at their estimated current replacement cost at the date of acquisition, adjusted when applicable for any loss of service potential.

### (n) Investments and other financial assets

***Initial recognition and measurement***

Financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

***(i) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. Loans and receivables are included in receivables in the statement of financial position (note 9).

## 2 Summary of significant accounting policies (continued)

**(n) Investments and other financial assets (continued)**

***Initial recognition and measurement (continued)***

***(iii) Available-for-sale financial assets***

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For unlisted unit trusts, fair value is determined by reference to the prevailing redemption prices at the reporting date.

***Recognition and derecognition***

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or when the entity transfers substantially all the risks and rewards of the financial assets.

***Impairment***

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**(o) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Except as noted below, depreciation on other assets is calculated using the straight line method to allocate their cost or revalue amounts, net of their residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| - Buildings | 33.33 years |
| - Manufacturing plant and equipment | 10 - 20 years |
| - Vehicles | 5 years |
| - Furniture, fittings and other equipment | 3 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the statement of comprehensive income.

**(p) Intangible assets**

The Company has purchased computer software, and developed certain computer software to enhance its business using both internal and external resources. The costs of these purchases and developments are capitalised and amortised over the useful life of the software, which is normally taken to be 3 to 5 years.

**(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(r) Interest bearing liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities which are not incremental costs related to the draw-down of the facility are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**(s) Provisions**

Provisions for legal claims and service warranties are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Except as otherwise noted, provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. Subsequent adjustments to the provisions due to the passage of time are recognised as interest expenses.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

## 2 Summary of significant accounting policies (continued)

**(t) Employee benefits**

***(i) Wages and salaries, and annual leave***

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

***(ii) Long service leave***

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

***(iii) Superannuation***

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

**(u) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority are presented as operating cash flow.

**(v) Endowment Fund**

The Children's Future Education Fund (referred to in the Financial Statements as the Endowment Fund) comprises monies donated or bequeathed to the Company for long-term investment which will generate revenue to support the education of disadvantaged students through the provision of Learning for Life scholarships and education-focussed support for communities in need. The Company may, at its discretion, transfer additional monies to the Fund from time to time. The balance of the fund is separately invested in a specific investment portfolio. The revenue for the Fund for the year includes donations, bequests and income from investments, net of associated expenses. Gains or losses on revaluation of the investment portfolio are recorded in Other Comprehensive Income.

## 3 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by a central finance department (Finance) under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| The Company holds the following financial instruments: | | | |
| **Financial Assets** | | | |
| Cash and cash equivalents | 8 | 10,975 | 11,310 |
| Other financial assets | 8 | 17,200 | 15,758 |
| Trade and other receivables | 9 | 2,193 | 1,707 |
| Available-for-sale financial assets | 11 | 26,730 | 21,427 |
| | | 57,098 | 50,202 |
| **Financial liabilities** | | | |
| Trade and other payables | 14 | 6,785 | 6,343 |
| | | 6,785 | 6,343 |

**(a) Market risk**

***(i) Foreign exchange risk***

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Company operates internationally and is exposed periodically to foreign exchange risk arising from currency exposures to the US dollar and British pound.

| The Company's exposure to foreign currency risk at the reporting date was as follows: | Note | 2017<br>$'000<br>£ | 2016<br>$'000<br>£ |
|---|---|---|---|
| Commitments in relation to capital expenditure | 21(b) | - | 49 |
| | | - | 49 |

***(ii) Price risk***

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk.

To manage the Company's price risk arising from investments in equity securities, Finance diversifies the Company's portfolio in accordance with limits set by the Company's Investment Policy and Mandate. The majority of the Company's equity investments are readily saleable.

At balance date the Company had $26,730,000 (2016: $21,427,000) in available-for-sale financial assets. Equity would further increase / decrease as a result of gains / losses on equity securities and managed funds classified as available-for-sale.

***(iii) Cash flow interest rate risk***

The Company's finance costs and operating cash flows are not materially exposed to changes in market interest rates. As at the reporting date the Company had no borrowings.

## 3 Financial risk management objectives and policies (continued)

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum Standard and Poor's rating of 'A-' are accepted. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Individual risk limits are set based on internal ratings and these are regularly monitored by management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above. Under certain circumstances the Company may retain title over goods sold until full payment is received. The Company may obtain security in the form of letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The Company may also take trade finance insurance cover for transactions in certain export markets.

**(c) Liquidity risk**

The Company's objective is to maintain a balance between continuity of funding from its fundraising and commercial activities and its operating expenditure.

**(d) Derivative financial liabilities**

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

*Level 1* - the fair value is calculated using quoted prices in active markets.

*Level 2* - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

*Level 3* - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

| | Year ended 30 June 2017 | | | Total | Year ended 30 June 2016 | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Quoted market price (Level 1) | Valuation technique - market observable inputs (Level 2) | Valuation technique - non market observable inputs (Level 3) | | Quoted market price (Level 1) | Valuation technique - market observable inputs (Level 2) | Valuation technique - non market observable inputs (Level 3) | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | | | | | |
| Investments | | | | | | | | |
| Listed investments | 12,600 | - | - | 12,600 | 14,284 | - | - | 14,284 |
| Unlisted investments | - | 14,130 | - | 14,130 | - | 7,143 | - | 7,143 |
| | 12,600 | 14,130 | - | 26,730 | 14,284 | 7,143 | - | 21,427 |

Quoted market price presents fair value based on quoted prices in active markets as at the balance date, without any deduction for transaction costs.

## 4 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Estimates and judgements are continually evaluated in relation to assets, liabilities, contingent liabilities, revenue and expenses, and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. The estimates and judgements form the basis of the carrying values of assets and liabilities which are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions. There are no estimates or assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***(i) Significant accounting judgements***

*Impairment of non-financial assets*

The Company assesses at each balance date whether there is objective evidence that any significant non-financial asset or group of non-financial assets is impaired by evaluating conditions specific to the Company and to the particular asset or group of assets which may lead to impairment. These include product and manufacturing performance, technology, the economic environment and future product expectations. Certain manufacturing assets have been tested for impairment and management considers that there are no impairment triggers which might require the value of those assets to be determined.

*Impairment of available for sale assets*

The Company holds a number of available-for-sale financial assets and follows the requirements of AASB 139: Financial Instruments: Recognition and Measurement in determining when an available-for-sale asset is impaired. In determining the amount of impairment, judgements are made in identifying financial assets whose decline in fair value below cost is considered significant and prolonged. A significant decline is based on the historical volatility of the share price. A prolonged decline is based on the length of time over which the share price has been depressed below cost. For the year ended 30 June 2017 the Company has determined that there are no available-for-sale assets considered impaired (2016: no impairment loss).

***(ii) Significant accounting estimates and assumptions***

*Make good provisions*

A provision has been made for the present value of anticipated costs of future restoration of leased premises. Principally these estimated costs relate to the removal of office fitouts and repair and redecoration of office premises. The provision recognised for each site is reviewed periodically and changes are recognised through the statement of financial position by adjusting both the expense and provision. The related carrying amounts are disclosed in Note 15 and Note 17.

*Employee benefits*

The liability for employee provisions expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

| | | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|---|
| **5** | **Revenue** | | | |
| | Fundraising | 2(e)(i) | | |
| | Individuals - donations and sponsorships | | 41,663 | 38,092 |
| | Bequests | | 11,004 | 11,131 |
| | Organisations | | 12,085 | 11,515 |
| | Communities | | 2,241 | 2,043 |
| | Value of donated goods | | 548 | 699 |
| | VIEW Clubs | | 5,135 | 4,928 |
| | | | 72,676 | 68,408 |
| | Government funding | 2(e)(iv) | 26,474 | 19,367 |
| | Revenue from sale of commercial goods | 2(e)(ii) | 17,354 | 17,911 |
| | Interest received | 2(e)(iii) | 743 | 772 |
| | **Total revenue** | | 117,247 | 106,458 |
| **6** | **Other Income** | | | |
| | Rental income, dividends and third party contributions to programs | | 2,046 | 1,371 |
| | Realised (loss)/gain from share investments | | (173) | (77) |
| | Net gain/(loss) on disposal of property, plant and equipment | | (175) | 104 |
| | **Total other income** | | 1,698 | 1,398 |
| **7** | **Expenses** | | | |
| | Surplus before income tax includes the following specific expenses: | | | |
| | *Depreciation* | | | |
| | Buildings | | 230 | 231 |
| | Plant and equipment | | 452 | 297 |
| | Total depreciation | | 682 | 528 |
| | *Amortisation* | | | |
| | Leasehold improvements and make-good provision | | 79 | 109 |
| | Intangibles | | 646 | 794 |
| | Total amortisation | | 725 | 903 |
| | *Rental expense relating to operating leases* | | | |
| | Minimum lease payments | | 2,891 | 3,384 |
| | Total rental expense relating to operating leases | | 2,891 | 3,384 |
| | *Employee expenses* | | | |
| | Gross employee expenses | | 42,774 | 40,086 |
| | Total employee expenses recognised in the surplus before income tax for the year | | 42,774 | 40,086 |
| **8** | **Current assets - Cash and cash equivalents** | | | |
| | Cash at bank and in hand | 8 (b) | 6,222 | 6,655 |
| | Deposits at call | 8 (c) | 4,753 | 4,655 |
| | Total cash and cash equivalents | | 10,975 | 11,310 |
| | Term deposits | 8 (c) | 17,200 | 15,758 |
| | Total other financial assets | | 17,200 | 15,758 |
| | | 2(k) | 28,175 | 27,068 |

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Balances as above | | 28,175 | 27,068 |
| Balances per statement of cash flows | 2(k) | 28,175 | 27,068 |

**(b) Cash at bank and on hand**

Cash at bank is held at prevailing bank interest rates. Cash on hand is non interest bearing.

**(c) Deposits at call and term deposits**

The deposits are bearing fixed and floating interest rates between 2.50% and 3.00% (2016: 2.89% and 3.10%). Fixed term deposits have an average maturity of 113 days (2016: 119 days).

**(d) Interest rate exposure**

The Company's exposure to interest rate risk is discussed in Note 3.

## 9 Current assets - Receivables

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Trade debtors | | 517 | 361 |
| Provision for impairment | | (4) | (4) |
| | | 513 | 357 |
| Other Debtors | 9(c) | 659 | 547 |
| GST Receivable/(payable) | 9(d) | 606 | 505 |
| | | 1,265 | 1,052 |
| Interest receivable | | 283 | 189 |
| Prepayments | | 132 | 109 |
| | 2(l) | 2,193 | 1,707 |

## 9 Current assets - Receivables (continued)

**(a) Impaired trade debtors**

As at 30 June 2017 current trade receivables with a nominal value of $nil (2016: $nil) were impaired.

The Company had no material losses in respect of impaired trade debtors during the year ended 30 June 2017.

**(b) Past due but not impaired**

As of 30 June 2017, trade debtors with a nominal value of $nil (2016: $nil) were past due but not impaired.

**(c) Other debtors**

These amounts include transactions relating to donations received but not receipted by year-end.

**(d) GST receivable/(payable)**

These amounts relate to the GST receivable/(payable) at the balance date.

## 10 Current assets - Inventories

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Raw materials and stores - at cost | | 183 | 56 |
| Finished goods at cost | | 994 | 662 |
| Donated inventories held for distribution at replacement cost | | 473 | 291 |
| | 2(m) | 1,650 | 1,009 |

## 11 Non-current assets - Available-for-sale financial assets

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Equity securities - listed | | 12,600 | 14,284 |
| Unlisted securities in investment fund | | 14,130 | 7,143 |
| | 3(d) | 26,730 | 21,427 |

**Impairment and risk exposure**

None of the financial assets are impaired.

All available-for-sale financial assets are denominated in Australian currency. An analysis of the sensitivity of these assets to price and interest rate risk is provided in Note 3.

## 12 Non-current assets - Property, plant and equipment

| | Lease Make Good $'000 | Work in progress $'000 | Freehold land $'000 | Freehold buildings $'000 | Plant and equipment $'000 | Leasehold improve-ments $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **At 1 July 2015** | | | | | | | |
| Cost | 425 | 49 | 336 | 8,462 | 6,124 | 760 | 16,156 |
| Accumulated depreciation | (419) | - | - | (6,141) | (5,636) | (533) | (12,729) |
| Net carrying amount | 6 | 49 | 336 | 2,321 | 488 | 227 | 3,427 |
| **Year ended 30 June 2016** | | | | | | | |
| Opening net book amount | 6 | 49 | 336 | 2,321 | 488 | 227 | 3,427 |
| Additions | - | 102 | - | - | 896 | 88 | 1,086 |
| Disposals | - | - | (45) | (162) | (8) | (28) | (243) |
| Transfers | - | (38) | - | - | 38 | - | - |
| Depreciation charge | (6) | - | - | (231) | (297) | (103) | (637) |
| Closing net carrying amount | - | 113 | 291 | 1,928 | 1,117 | 184 | 3,633 |
| **At 30 June 2016** | | | | | | | |
| Cost | 425 | 113 | 291 | 8,020 | 6,692 | 815 | 16,356 |
| Accumulated depreciation | (425) | - | - | (6,092) | (5,575) | (631) | (12,723) |
| Net carrying amount | - | 113 | 291 | 1,928 | 1,117 | 184 | 3,633 |
| **Year ended 30 June 2017** | | | | | | | |
| Opening net book amount | - | 113 | 291 | 1,928 | 1,117 | 184 | 3,633 |
| Additions | - | 1,054 | - | - | 62 | 147 | 1,263 |
| Disposals | - | - | - | - | (87) | - | (87) |
| Transfers | - | (785) | - | - | 785 | - | - |
| Depreciation charge | - | - | - | (230) | (452) | (79) | (761) |
| Closing net carrying amount | - | 382 | 291 | 1,698 | 1,425 | 252 | 4,048 |
| **At 30 June 2017** | | | | | | | |
| Cost | 425 | 382 | 291 | 8,020 | 7,040 | 962 | 17,120 |
| Accumulated depreciation | (425) | - | - | (6,322) | (5,615) | (710) | (13,072) |
| Net carrying amount | - | 382 | 291 | 1,698 | 1,425 | 252 | 4,048 |

## 13 Non-current assets - Intangible assets

| | $'000 |
|---|---|
| *Software purchase and development costs* | |
| **At 1 July 2015** | |
| Cost | 3,988 |
| Accumulated amortisation | (2,209) |
| Net carrying amount | 1,779 |
| **Year ended 30 June 2016** | |
| Opening net book amount | 1,779 |
| Additions | 595 |
| Amortisation charge | (794) |
| Closing net carrying amount | 1,580 |
| **At 30 June 2016** | |
| Cost | 4,582 |
| Accumulated amortisation | (3,002) |
| Net carrying amount | 1,580 |
| **Year ended 30 June 2017** | |
| Opening net book amount | 1,580 |
| Additions | 201 |
| Disposals | (88) |
| Amortisation charge | (646) |
| Closing net carrying amount | 1,047 |
| **At 30 June 2017** | |
| Cost | 4,189 |
| Accumulated amortisation | (3,142) |
| Net carrying amount | 1,047 |

## 14 Current liabilities - Payables

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Trade creditors | | 1,461 | 1,168 |
| Other creditors | | 5,324 | 5,175 |
| | 2(q) | 6,785 | 6,343 |

## 15 Current liabilities - Provisions

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Employee benefits and liabilities | 2(s, t) | 5,530 | 4,505 |
| Make-good provision | 2(s) | 101 | 143 |
| | | 5,631 | 4,648 |

**(a) Make-good provision**

The Company has entered into leases of property, the terms of which include restoration requirements at the end of the lease periods. The costs of restoration have been estimated by management and to the extent that they relate to leases which expire in the next financial year the costs are recognised as current liabilities.

**(b) Movements in provisions**

Movements in each class of provision during the financial year other than employee benefits are set out below:

*Make-good provision*

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Carrying amount at the start of the year | 143 | 128 |
| Additional/(Reduced) provisions recognised | (42) | 15 |
| Carrying amount at the end of the year | 101 | 143 |

**(c) Amounts not expected to be settled within the next 12 months**

The current provisions for annual and long service leave include all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the Company does not have a right to defer settlement.

Under present Company policy it is a requirement that individual annual leave balances remain at or below one year's accrued entitlement. As a result, the annual leave provision is treated as current. However, based on past experience the Company does not expect all employees to take the full amount accrued for long service leave within the next 12 months. The following amounts reflect long service leave which is not expected to be taken or paid within the next 12 months.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Long service leave obligation expected to be settled after 12 months | 1,425 | 1,213 |

| | | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|---|

## 16 Current liabilities - Other

Unexpended funding has been carried forward as follows:

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Current (unsecured)** | | | |
| Program funding received in advance | | 447 | 209 |
| Deferred government funding | | 10,106 | 11,176 |
| | 2(e)(iv) | 10,553 | 11,385 |

## 17 Non-current liabilities - Provisions

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Employee benefits | 2(s, t) | 900 | 944 |
| Make-good provision | | 410 | 473 |
| | | 1,310 | 1,417 |

**(a) Make-good provision**

The Company has entered into leases of property, the terms of which include restoration requirements at the end of the lease periods. The costs of restoration have been estimated by management and to the extent that they relate to leases which expire after the next financial year the costs are recognised as non-current liabilities.

**(b) Movements in provisions**

Movements in each class of provision during the financial year other than employee benefits are set out below:

*Make-good provision*

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Carrying amount at the start of the year | 473 | 457 |
| Additional/(Reduced) provisions recognised | (63) | 16 |
| Carrying amount at the end of the year | 410 | 473 |

## 18 Reserves and retained surplus

**(a)** Movements in retained surplus were as follows:

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 32,819 | 28,533 |
| Surplus for the year | | 2,940 | 4,286 |
| Transfer between reserves | | (1,125) | |
| Balance at the end of the year | | 34,634 | 32,819 |

**(b)** Movements in Endowment Fund reserves were as follows:

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Balance at the beginning of the year | | - | - |
| Increase/(decrease) in value of the endowment fund reserve for the year | | 3,203 | - |
| Transfer between reserves | | 1,125 | |
| Balance at the end of the year | 2(v) | 4,328 | - |

**(c)** Movements in investment revaluation reserve were as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at the beginning of the year | (188) | 349 |
| Increase/(decrease) in value of the investment revaluation reserve for the year | 790 | (537) |
| Balance at the end of the year | 602 | (188) |

## 19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, and its related practices:

**Assurance services**

***Audit services***

| *Ernst & Young Australia* | **$** | **$** |
|---|---|---|
| Audit | 98,200 | 95,000 |
| Audit of regulatory returns | 15,300 | 12,750 |
| Total remuneration for audit services | 113,500 | 107,750 |

## 20 Contingent liabilities

**Contingent liabilities**

The Company had no contingent liabilities at 30 June 2017 and at the date of this report.

**Guarantees**

The Company had provided the following guarantees at 30 June 2017:

- bank guarantees to a total amount of $714,132 (2016: $632,007)

## 21 Commitments

**(a) Lease commitments: Company as lessee**

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: | | | |
| Within one year | | 3,012 | 2,422 |
| Later than one year but not later than five years | | 5,220 | 1,905 |
| Later than five years | | - | - |
| | | 8,232 | 4,327 |
| Representing: | | | |
| Non-cancellable operating leases | | 8,232 | 4,327 |
| | 2(i) | 8,232 | 4,327 |

The Company leases various offices and retail outlets under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Company also leases various plant and machinery under operating leases.

**(b) Property, plant and equipment commitments**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Commitments in relation to capital expenditure contracted for the year ended 30 June 2017: | | |
| Within one year | - | 74 |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |
| | - | 74 |

## 22 Related party transactions

**(a) Directors**

The names of persons who were directors of the Company at any time during the financial year and up until the date of this report are as follows: A.K. Abey, L. M. Armstrong, C.N. Bartlett, C. Cawsey, S. A. Davis, J.A. Harmer, M.G. Johnson, A.J. Kloeden, J.C.R. Maycock, L.J. O'Brien and R. Storelli.

**(b) Key management and personnel compensation**

Key management personnel compensation for the years ended 30 June 2017 and 2016 is set out below. The key management personnel are:

- all the directors of the Company (none of whom is paid with the exception of L.J. O'Brien, who holds office as a director in her role as Chief Executive Officer), and
- eight (2016: nine*) other executives with the greatest authority for the strategic direction and management of the Company.

| | Short term benefits $ | Post employ-ment benefits $ | Other long term benefits $ | Termin-ation benefits $ | Total $ |
|---|---|---|---|---|---|
| 2017 | 1,924,283 | 164,010 | - | - | 2,088,293 |
| 2016 | 1,884,204 | 191,011 | - | - | 2,075,215 |

* In 2016 there were two individuals who filled the role of Chief Financial Officer.

## 23 Reconciliation of surplus after income tax to net cash inflow/(outflow) from operating activities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Surplus for the year | 5,982 | 4,286 |
| Depreciation and amortisation | 1,407 | 1,431 |
| (Gain)/loss on disposal of property, plant and equipment | 175 | (104) |
| Shares received from bequests | (902) | (6,678) |
| Shares transferred during the year | (605) | - |
| Realised (gain)/loss from share investments | 126 | 3 |
| Interest income | (743) | (772) |
| Dividends and distributions | (1,217) | (616) |
| (Increase)/decrease in receivables | (392) | (1,160) |
| (increase)/decrease in inventories | (641) | 505 |
| Increase/(decrease) in trade creditors | 442 | (869) |
| Increase/(decrease) in other operating liabilities | (832) | 777 |
| Increase/(decrease) in provisions | 875 | 989 |
| Net cash inflow/(outflow) from operating activities | 3,675 | (2,208) |

## 24 Events after balance date

There have been no significant events occurring after balance date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

## 25 Income and expenditure - Fundraising Appeals

This disclosure is made under the NSW Charitable Fundraising Act (1991).

**(i) Details of aggregate gross income and total expenses of Fundraising Appeals**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Gross proceeds of Fundraising Appeals (as defined in the Act) | 56,537 | 52,277 |
| Costs of Fundraising Appeals | (23,377) | (17,770) |
| Net surplus obtained from Fundraising Appeals | 33,160 | 34,507 |

**(ii) Statement showing how funds and goods received were applied to charitable purposes**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Net surplus obtained from Fundraising Appeals | 33,160 | 34,507 |
| This was applied to the charitable purposes in the following manner: | | |
| Cash payments to clients | 21,934 | 19,472 |
| Personal support to clients | 40,173 | 38,316 |
| Christmas toys, books and other goods distributed to clients | 374 | 584 |
| Community Programs research, development and administration | 3,441 | 3,011 |
| | 65,922 | 61,383 |

**(iii) Fundraising Appeals conducted during the financial year**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Donations from Individuals | 41,663 | 38,092 |
| Corporate, Trust and University donations | 12,085 | 11,516 |
| Events | 2,241 | 1,970 |
| Donated goods and services | 548 | 699 |
| | 56,537 | 52,277 |

**(iv) Comparisons of certain monetary figures and percentages**

The following figures and percentages exclude sales revenue and expenditure on commercial activities.

| | 2017 $'000 | 2016 $'000 | 2017 % | 2016 % |
|---|---|---|---|---|
| Total cost of fundraising appeals / | 23,377 | 17,770 | 41.3% | 34.0% |
| Gross income from fundraising appeals | 56,537 | 52,277 | | |
| Net surplus from fundraising appeals / | 33,160 | 34,507 | 58.7% | 66.0% |
| Gross income from fundraising appeals | 56,537 | 52,277 | | |
| Total cost of assistance to clients / | 65,922 | 61,383 | 67.6% | 70.5% |
| Total expenditure | 97,481 | 87,062 | | |
| Total cost of assistance to clients / | 65,922 | 61,383 | 64.9% | 68.2% |
| Total income received | 101,591 | 89,945 | | |

## THE SMITH FAMILY
## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of The Smith Family, I state that in the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012,* including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013;*

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

On behalf of the Board

C.N. Bartlett
Chairman

Sydney
25 September 2017

## THE SMITH FAMILY
## DECLARATION UNDER THE CHARITABLE FUNDRAISING ACT 1991

In accordance with a resolution of the directors of The Smith Family I state that:

(i) the Statement of Comprehensive Income gives a true and fair view of the all income and expenditure of the organisation with respect to fundraising appeals;

(ii) the Statement of Financial Position gives a true and fair view of the state of affairs of the organisation with respect to fundraising appeals;

(iii) the financial report and associated records of the Company have been properly kept during the year ended 30 June 2017 in accordance with the provisions of the *Charitable Fundraising Act 1991,* the regulations under the Act and the conditions attached to organisation's authority; and

(iv) the internal controls exercised by the organisation are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

On behalf of the Board

C.N. Bartlett
Chairman

Sydney
25 September 2017

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# Independent Auditor's Report to the Members of The Smith Family

## Opinion

We have audited the financial report of The Smith Family (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Company in accordance with 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf.This description forms part of our auditor's report.

## Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015* and the requirements of the *WA Charitable Collections Act (1946)* and the *WA Charitable Collections Regulations (1947)*

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991* and the *WA Charitable Collections Act (1946)*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008* and the *WA Charitable Collections Act (1946)* and the *WA Charitable Collections Regulations (1947)*.

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Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Acts and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Ernst & Young

Ernst & Young

S Dimento

Loretta Di Mento
Partner
Sydney
25 September 2017

The Smith Family

*everyone's family*