Aruma Services
(formerly House with No Steps)

ABN 31 001 813 403

Annual report
30 June 2019

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Contents

Your directors present their report on the consolidated entity consisting of Aruma Services (formerly House with No Steps) and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The names of the directors in office at any time during or since the end of the year are:

Candice Charles - Chair
Richard Madden - Deputy Chair
Leanne Dreves
Maura Boland
Samantha Male
Chris Edwards
Andrew Sando
Peter Williams

The directors have been in office since the start of the year to the date of this report.

Principal activities

The principal activity of the Group during the year was the provision of support services to people with a disability, their families and carers.

No significant change in the nature of these activities occurred during the year.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the period.

Review of operations

Overview of the Group

Consolidated revenue of $344,020,000 (2018: $283,999,000) increased by 21% (2018: 66%) compared with the prior year, largely due to the Merger with Aruma Foundation Limited (formerly the Tipping Foundation Limited), and Victorian Person Centred Services Limited on 1 March 2018.

Consolidated net profit of $2,024,000 (2018: $23,135,000) decreased due to a number of non-recurring items from business combinations in the prior year. The prior year Merger resulted in a discount on acquisition of $18,097,000 and the NSW Transfer of disability services resulted in goodwill of $3,042,000 which was immediately impaired due to the loss making performance of this business. After adjusting for these non-recurring items, adjusted net profit for 2018 was $8,080,000, which is 75% higher than the current year result.

Net assets of $71,867,000 (2018: $69,478,000) increased by 3% (2018: 51%).

Cash flows from operating activities was $19,972,000 (2018: $21,384,000). Cash flows used in investing activities $8,296,000 (2018: provided from investing activities $23,887,000) decreased due to cash from the NSW transfer and the Merger in the prior year. Overall cash on hand increased by $11,676,000 (2018: $45,261,000).

Market and strategy

The rollout of the National Disability Insurance Scheme ("NDIS") continues to change the shape of the ‘market’ for disability services in Australia. The NDIS remains a welcome and necessary social reform that is facilitating largely positive outcomes for participants. The NDIS is continuing to work through a number of challenges including pricing and cost reviews. The Group will continue to lobby for changes and improvements to the NDIS to ensure that participants are able to source support from quality focused, for purpose organisations like Aruma Services for many years to come.

Within this context, the Group’s strategy is focused on customers, people and transformation to ensure that the Group adapts to the changing market conditions while staying focused on making a strong and positive impact in the lives of many thousands of people with a disability, their families and carers.

Review of operations (continued)

Future performance

The future financial performance of the Group is expected to grow from the divestment of services from the Victorian government, detailed below.

Event since the end of the financial year

On 23 July 2019, the Company changed its name to Aruma Services.

On 27 August 2018, the Group was awarded three parcels of disability services from the Victorian Government, which comprises 67 new supported independent living accommodation and short term accommodation services. On 7 July 2019, 23 services transferred to the Group, and the remaining 44 services transferred on 18 August 2019. Annual revenue expected for these transactions are expected to be approximately $61,000,000.

No other matters or circumstances has arisen since 30 June 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Information on directors

Candice Charles	Chair
Qualifications	B App Sc, MBA MPH
Experience	Candice is an experienced board member and executive in the health and community sectors. She has special interests in health policy and economics, and broad experience in governance, business strategy and planning, financial and risk management. Her previous directorships have been with social enterprise and community organisations in the mental health and community health sector. Candice has held senior leadership roles in banking, government and community organisations. Candice has Masters qualifications in Public Health and Business Administration, and completed the Company Directors Course in 2002.
Special responsibilities	Chair of the Aruma Services Board, Ex-officio Member of the Audit & Risk Committee, Customer Outcomes Committee, People & Governance Committee, Human Rights Committee, FACS SDS Transfer Committee and STAR Committee.
Richard Madden	Deputy Chair
Qualifications	BSc, PhD, FIAA, AM, PSM
Experience	Richard was appointed in March 2006, elected Chair in November 2010, and Deputy Chair in March 2018. He has an extensive record in public administration, including a period in charge of the Federal Government's disability service programs. Dr Madden is a Fellow of the Institute of Actuaries of Australia. His awards include the ACROD President's Service Award.
Special responsibilities	Deputy Chair of the Aruma Services Board, Member of the Human Rights Committee, Customer Outcomes Committee, FACS SDS Transfer Committee and STAR Committee.

Information on directors (continued)

Leanne Dreves	Director
Qualifications	BCom, CPA, GAICD
Experience	Leanne is a senior finance, governance and risk executive. For the past eleven years she has been the Chief Financial Officer of not-for-profit Act for Kids Limited, and its controlled entities. Prior to joining Act for Kids, she held senior accounting and financial leadership roles in credit unions, and in public practice. Leanne has a long association with Aruma, serving on the former Queensland and Southern NSW Regional Advisory Boards.
Special responsibilities	Chair of the Audit & Risk Committee.
Maura Boland	Director
Qualifications	BSc (Hons), Grad Dip Comm Mgt, MAppSc (Comm Mgt), Grad Cert Mgt, GAICD
Experience	Appointed 26 October 2015. Maura has over 20 years' experience as an executive in the NSW public service, including over 10 years as a Deputy Director General/Deputy Chief Executive in human services. She is currently Director of The Insight Partnership, a management consultancy specialising in collaboration for strategic results in areas of positive social and environmental impact.
Special responsibilities	Co-Chair of the Human Rights Committee, and Chair of FACS SDS Transfer Committee, Member of the People and Governance Committee and STAR Committee.
Chris Edwards	Director
Qualifications	Dipl Business
Experience	Appointed in March 2018, Chris is an experienced senior manager within the human services sector with expertise in disability inclusion and improving organisation performance in service delivery. Over the last 20 plus years he has performed a range of strategic and operational management roles for Vision Australia and RVIB, he has also worked as a management Consultant for Nous Group a leading Australian professional services firm. Chris previously served as a Director on the Board of Retina Australia (Victoria) and on the Board of DASSI, including two years as Chair. Chris was a Board member of The Tipping Foundation and VISTA since March 2017.
Special responsibilities	Chair of the Customer Outcomes Committee, Member of the Human Rights Committee.
Samantha Male	Director
Qualifications	BSc (Hons), MBA, GAICD
Experience	Samantha has a deep understanding of the community housing sector, with experience at senior management and Board level, across the UK and Australia. She has a detailed and proven track record of delivery, leading teams and embedding a customer service culture within organisations. She now lives in rural Australia on an avocado farm and runs her own business: Trail Quest.
Special responsibilities	Chair of the People & Governance Committee, Member of the Customer Outcomes Committee.

Information on directors (continued)

Andrew Sando	Director
Qualifications	BSC (HONS), MBA, GAICD
Experience	Andrew has a unique and interesting healthcare perspective, having held senior strategic and operational management roles in private hospitals, rehabilitation and independent living, pathology and medical centres. Andrew is presently the Chief Executive Officer of the Australian Health Service Alliance (AHSA), an organisation that works with Private Health Insurers and on their behalf negotiates agreements with private hospitals, doctors and other health providers. Andrew has supplemented his healthcare experience with ongoing studies including qualifications from Harvard Business School (Advanced Management Program) and a Master of Business Administration to complement his initial Honours degree in Science.
Special responsibilities	Chair of the STAR Committee, Member of the FACS SDS Transfer Committee.
Peter Williams	Director
Qualifications	Dip.All, MAICD,FAIM
Experience	Peter is an Independent Non-Executive Director of the Australian Foundation Investment Company Limited, Chairman of MIPS Advisory Committee for FIIG Securities Limited, Chairman and Director of the NAB Trustees Services Limited (NAB Subsidiary), Director of Cricket Victoria Ltd, and an Advisory Board Member of TLC Aged Care Limited. Peter was formerly Chairman of Olympic Park Sports Medical Centre Pty Ltd, Managing Director of Equity Trustees Limited, a Director of the Trustee Corporations Association of Australia, a Director of the Australian Baseball Federation Inc and a General Manager with AXA/National Mutual in Australia and Hong Kong.
Special responsibilities	Member of the Audit & Risk Committee.
Kim Parish	Company Secretary (Resigned 5 September 2019)
Qualifications	BA, MBA, Chartered Fellow Institute of Personnel & Development, Fellow Australian Human Resources Institute, Fellow Institute of Leadership & Management.
Experience	Kim joined Aruma in March 2016 and is the Chief People Officer. She previously held executive HR roles in the commercial section in UK including a FTSE 50 company as well as the CEO position for a substantive UK charity. Her industry experience includes education, health and FMCG.
Tiffany Roxburgh	Company Secretary
Qualifications	BCom, Member of the Institute of Chartered Accountants Australia
Experience	Tiffany joined Aruma in May 2018 and is the Chief Financial Officer. She comes from a background of logistical support solutions in the resources sector and related industries. She was previously a Client Director at Deloitte, and Director Corporate Development and Sustainability at Bis Industries.

Information on directors (continued)

Gina Georgiou	Company Secretary (Appointed 5 September 2019)
Qualifications	Bachelor of Laws, Bachelor of Arts (Applied Psychology)
Experience	Gina joined Aruma in August 2019 and is Aruma's General Counsel and Company Secretary. She is a senior corporate lawyer with extensive leadership experience in the delivery of legal, corporate, governance, regulatory, risk and compliance services in the private, public and NFP sectors (including public health and education). For the past two years she has held the position of Deputy General Counsel at the Australian Catholic University, with previous senior roles at Australian Hearing Services, Australian Children's Education and Care Quality Authority and the NSW Aboriginal Land Council.

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2019, and the numbers of meetings attended by each director were:

	Board		**Audit & Risk Committee meetings**		**Human Right Committee meetings**		**FACS SDS Transfer Committee meetings**	
Directors	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Candice Charles	7	7	7	7	2	-	3	2
Richard Madden	7	6	-	-	-	-	3	3
Leanne Dreves	7	7	7	7	-	-	-	-
Maura Boland	7	7	-	-	4	3	3	3
Samantha Male	7	6	-	-	-	-	-	-
Chris Edwards	7	7	-	-	3	3	-	-
Andrew Sando	7	7	-	-	-	-	3	2
Peter Williams	7	7	7	7	-	-	-	-

	Project Star Committee meetings		**Customer Outcomes Committee meetings**		**People & Governance meetings**	
Directors	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Candice Charles	3	1	4	4	4	4
Richard Madden	3	2	4	3	-	-
Leanne Dreves	-	-	-	-	-	-
Maura Boland	3	3	-	-	4	4
Samantha Male	-	-	4	4	4	4
Chris Edwards	-	-	4	4	-	-
Andrew Sando	3	3	-	-	-	-
Peter Williams	-	-	-	-	-	-

Members guarantee

Aruma Services (formerly House with No Steps) is a company limited by guarantee and in accordance with the Constitution the liability of members in the event of Aruma Services (formerly House with No Steps) is being wound up during the time, or within one year after he or she is a member, would not exceed ($1) per member towards meeting any outstanding obligations of the entity. At 30 June 2019 the total amount that members are liable to contribute if Aruma Services (formerly House with No Steps) is wound up is $37 (2018: $37).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012* is set out on page 7.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the board of directors.

Candice Charles - Chair
Director

Melbourne
16 October 2019

Auditor's Independence Declaration

As lead auditor for the audit of Aruma Services for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aruma Services and the entities it controlled during the period.

E Penny

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
16 October 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Aruma Services (formerly House with No Steps)

ABN 31 001 813 403

Financial report - 30 June 2019

Contents

These Financial statements are the consolidated Financial statements of the Group consisting of Aruma Services (formerly House with No Steps) and its subsidiaries. A list of subsidiaries is included in Note 24. The Financial statements are presented in the Australian Dollars ($).

Aruma Services is an Australian Public Company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Aruma Services
49 Blackbutts Road
Belrose 2085, Australia

The Financial statements were authorised for issue by the directors on 16 October 2019. The directors have the power to amend and reissue the Financial statements.

Aruma Services (formerly House with No Steps)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue and other income			
Revenue	5	**342,425**	264,579
Other income	5	**1,595**	19,420
	5	**344,020**	283,999
Less: expenses			
Employee benefits expense		**(279,660)**	(210,401)
Occupancy expense		**(16,271)**	(13,309)
Depreciation and amortisation expense		**(6,849)**	(5,787)
Professional fee expenses		**(6,153)**	(3,728)
Motor vehicle expenses		**(8,171)**	(6,943)
Material and consumables used		**(4,279)**	(3,970)
Technology expenses		**(4,042)**	(3,400)
Impairment expense - Goodwill		**-**	(3,042)
Repairs and maintenance expense		**(3,029)**	(2,526)
Sales and marketing expenses		**(2,401)**	(1,191)
Other expenses		**(11,141)**	(6,567)
Total expenses		**(341,996)**	(260,864)
Profit before income tax expense		**2,024**	23,135
Income tax expense		**-**	-
Net profit from continuing operations		**2,024**	23,135
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		**-**	(162)
Remeasurements of defined benefit liability		**114**	652
Changes in the fair value of financial assets at fair value through other comprehensive income		**251**	-
Item that may be reclassified subsequently to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		**-**	(24)
Other comprehensive income for the year, net of tax		**365**	466
Total comprehensive income for the year		**2,389**	23,601

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Aruma Services (formerly House with No Steps)
Consolidated statement of financial position
As at 30 June 2019

	Notes	**2019 $'000**	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**73,081**	61,405
Trade receivables	8	**22,715**	14,094
Inventories	9	**615**	797
Other current assets	10	**3,899**	2,750
Total current assets		**100,310**	79,046
Non-current assets			
Biological assets	11	**602**	668
Financial assets	12	**5,254**	4,669
Intangible assets	13	**654**	1,775
Property, plant and equipment	14	**57,548**	55,465
Total non-current assets		**64,058**	62,577
Total assets		**164,368**	141,623
LIABILITIES			
Current liabilities			
Trade and other payables	15	**27,042**	17,861
Provisions	16	**35,301**	32,734
Other liabilities	17	**20,004**	11,352
Total current liabilities		**82,347**	61,947
Non-current liabilities			
Provisions	16	**10,154**	10,198
Total non-current liabilities		**10,154**	10,198
Total liabilities		**92,501**	72,145
Net assets		**71,867**	69,478
EQUITY			
Reserves	18(a)	**9,500**	9,135
Accumulated profit	18(b)	**62,367**	60,343
Total equity		**71,867**	69,478

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Aruma Services (formerly House with No Steps)
Consolidated statement of changes in equity
For the year ended 30 June 2019

	Reserves $'000	Accumulated profit $'000	Total funds and reserves $'000
Balance at 1 July 2017	8,669	37,208	45,877
Profit for the year	-	23,135	23,135
Revaluation of property, plant and equipment	(162)	-	(162)
Remeasurements of defined benefit liability	652	-	652
Change in fair value of available for sale financial assets	(24)	-	(24)
Total comprehensive income for the year	**466**	**23,135**	**23,601**
Balance at 30 June 2018	**9,135**	**60,343**	**69,478**
Balance at 1 July 2018	**9,135**	**60,343**	**69,478**
Profit for the year	-	2,024	2,024
Revaluation of property, plant and equipment	-	-	-
Remeasurements of defined benefit liability	114	-	114
Change in fair value of financial assets	251	-	251
Total comprehensive income for the year	**365**	**2,024**	**2,389**
Balance at 30 June 2019	**9,500**	**62,367**	**71,867**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**2019 $'000**	2018 $'000
Cash flows from operating activities			
Receipt from customers (inclusive of GST)		**350,894**	275,251
Payments to suppliers and employees (inclusive of GST)		**(332,018)**	(254,802)
Finance costs		**(3)**	(3)
Interest received		**1,099**	938
Net cash inflow from operating activities	19(b)	**19,972**	21,384
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,358**	3,853
Proceeds from sale of financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets)		**775**	841
Payment for property, plant and equipment		**(10,728)**	(7,536)
Payments for financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets)		**(1,197)**	(919)
Payments for intangible assets		**-**	(887)
Dividends received		**496**	266
Cash acquired on business combinations, net of consideration paid		**-**	28,269
Net cash (outflow) inflow from investing activities		**(8,296)**	23,887
Cash flows from financing activities			
Repayment of borrowings		**-**	(10)
Net cash (outflow) from financing activities		**-**	(10)
Net increase in cash and cash equivalents		**11,676**	45,261
Cash and cash equivalents at the beginning of the financial year		**61,405**	16,144
Cash and cash equivalents at end of financial year	7	**73,081**	61,405

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated Financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial statements are for the Group consisting of Aruma Services (formerly House with No Steps) and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated Financial statements of the Aruma Services (formerly House with No Steps) comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(iii) Comparative information

Certain corresponding figures for the year ended 30 June 2018 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position and notes to the consolidated financial statements have been reclassified in order to conform to the presentation of the current year. These changes have been made to improve the quality of information presented. Such reclassification does not affect previously reported profit, total comprehensive income, total assets or total equity amounts.

(iv) New and amended standards adopted by the Group

The Group has applied the following standard for first time in their annual reporting period commencing 1 July 2018:

- AASB 9 *Financial Instruments*

The Group had to change its accounting policies and make certain changes in the presentation of the financial report following the adoption of AASB 9. This is disclosed in Note 3. The standard did not have any impact on the amounts recognised in prior years and did not significantly affect the current or future years.

(b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 23).

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Summary of significant accounting policies (continued)

(c) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Donations and bequests are recognised at fair value.

Fundraising revenue for raffles which have not been drawn at balance date is brought to account as accrued revenue.

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

(d) Contributions - Government Grants and Donations

A non-reciprocal contribution or grant is recognised when the Group obtains control or has the right to receive the contribution or grant and it is probable that the economic benefits will flow to the Group, and the amount of the contribution or grant can be measured reliably.

If conditions attached to the contribution or grant that must be satisfied before the Group is eligible to receive the contribution, recognition of contribution or income is deferred until those conditions are met.

Where contributions are provided for the acquisition of property, plant and equipment with specific conditions on use of the asset, if the Group ceases to use the asset for the purpose approved by the funding body it may have to return the asset or pay an amount in recognition of the funding body's interest in the asset. Recognition of a liability, de-recognition of an asset or identification of a separate equity interest in the asset occurs only when an event has occurred which will result in a probable future outflow of resources which can be reliably measured.

This accounting policy is consistent with the Group's continued use of all funded assets for the purposes for which they were acquired or for an alternate purpose (subject to authorisation from the funding body) and with the Group's expectation that it will continue to enjoy the use of these assets in the future. The Group has received no communication from any funding body of any claim against its equity interests and has not disposed of any of the funded assets without notifying the relevant funding body.

When the entity receives grants but is obliged to give directly approximately equal value to the contributor, recognition of grant income will be deferred until the delivery of service.

(e) Income tax

The Group is registered under the *Charitable Fundraising Act 1991* and is endorsed as income tax exempt charitable entities under Subdivision 50 B of the *Income Tax Assessment Act 1997.*

Aruma Services is a public benevolent institution as defined in the *Income Tax Assessment Act 1997* and is endorsed as a deductible gift recipient under Subdivision 30 BA of the *Income Tax Assessment Act 1997*.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

1 Summary of significant accounting policies (continued)

(g) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value.

Inventories held for distribution at no or nominal consideration are measured at lower of cost and current replacement cost.

(h) Financial assets

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or in other comprehensive income.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"). The Group has elected to classify its equity securities as financial assets at FVOCI as these are strategic investments and the Group considers this classification to be more relevant.

The Group has classified its debt financial assets as measured at amortised cost as both of the following conditions are met:

- 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.

The Groups debt financial assets comprises trade and other receivables.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset at amortised cost, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt financial assets at amortised cost are measured using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

1 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Accounting policies applied until 30 June 2018

The Group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Non listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Donated financial assets

Financial assets donated to the Group are recognised at fair value at the date the Group obtains the control of the assets.

1 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(v) Accounting policies applied until 30 June 2018 (continued)

Impairment

The Group assessed at the end of each reporting year whether there was objective evidence that a financial asset or Group of financial assets was impaired. A financial asset or a Group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or Group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(i) Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to director related entities.

Non derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Properties that are held for strategic purpose or to provide social service and that generate cash inflows where the rental revenue is incidental to the purpose for holding the property, do not meet the definition of investment properties and are classified as properties in accordance with AASB 116.

Freehold land and buildings are initially recorded at cost. Where freehold land and buildings were acquired at no cost or for a nominal amount, cost is deemed to be the fair value at the acquisition date.

Freehold Land and Commercial Property

Subsequently, freehold land and commercial buildings are measured at revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss. Valuations are performed every 3 years by an external qualified valuer.

Residential land and buildings is measured at cost basis.

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.

1 Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Depreciation

Land is not depreciated. The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
• Buildings at cost	2.5%	Straight line
• Buildings at valuation	2.5%	Straight line
• Plant and equipment at cost	10-50%	Straight line
• Motor vehicles at cost	15%	Straight line

(k) Intangibles

(i) Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(r) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses

(ii) Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

(iii) Other intangibles

Donor acquisition campaign costs are recognised at cost of acquisition. They have finite life and are carried at cost less any accumulated amortisation and any impairment losses. Donor acquisition campaign costs are amortised over their useful life of 3 years.

(l) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

1 Summary of significant accounting policies (continued)

(l) Impairment of non-financial assets (continued)

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

(m) Biological assets

Avocado and macadamia trees are classified as a biological asset and valued in accordance with AASB 116 Property, Plant and Equipment. The value of the trees is measured at fair value using a discounted cash flow methodology.

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(o) Employee benefits

(i) Short-term obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as provisions in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Any remeasurements for changes in assumptions of obligations for other long term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long term employee benefit obligations are presented as current provisions in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

1 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(iii) Retirement benefit obligations

Defined benefit superannuation plan

A net defined benefit liability (asset) is recognised in the consolidated statement of financial position and is measured as the difference between the Group's obligation for employees' defined benefit entitlements at the end of the reporting period and the fair value of plan assets attributable to employees at the same date. The Group's obligation for employees' defined benefit entitlements is calculated at the end of each reporting period by an independent actuary using the projected unit credit method. In determining the Group's obligation for employee's defined benefit entitlements, the actuary discounts the expected future payments attributable to providing the defined benefit entitlements at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Consideration is given to expected future wage and salary levels, experience of employee turnover and periods of service.

The periodic cost of providing defined benefit entitlements is disaggregated and accounted for as follows:

- service cost (including current and past service costs and any gains or losses on settlements or curtailments) is recognised in profit or loss in the period in which it arises as part of employee benefits expense;
- interest on the net defined benefit liability (asset) is calculated by multiplying the average balance of the liability (asset) during the reporting period by the discount rate applied to the defined benefit obligation and is recognised in profit or loss in the period in which it arises as part of finance costs; and
- remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets less amounts included in the net interest on the net defined benefit liability (asset), and any changes in the limit on the net defined benefit asset (excluding interest)) are recognised in other comprehensive income (retained earnings) in the periods in which they occur.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(q) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(r) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issues or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition date fair value.

1 Summary of significant accounting policies (continued)

(r) Business combinations (continued)

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

(s) Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Parent entity financial information

The financial information for the parent entity, Aruma Services (formerly House with No Steps), disclosed in Note 28 has been prepared on the same basis as the consolidated Financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the Financial statements of Aruma Services (formerly House with No Steps).

(u) Rounding of amounts

The Company is of a kind referred to in ASIC legislative instrument 2016/191, relating to the 'round-off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Critical estimates, judgements and errors

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Employee benefits provision

The liability for employee benefits 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 inflation have been taken into account.

(b) Defined benefits superannuation plan

In determining the Group's ultimate cost of its defined benefit superannuation plan, actuarial assumptions are required to be made. The principal actuarial assumptions used are disclosed in Note 16.

2 Critical estimates, judgements and errors (continued)

(c) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(d) Valuation of property

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and Commercial buildings which are subject to revaluation at least every three years.

The last independent valuation of these land and Commercial buildings was performed as at 30 June 2018. The critical assumptions adopted in determining the valuations included the location of the land and buildings, the demand for land and buildings in the area and recent sales data for similar properties.

(e) Expected credit losses (ECL) on trade receivables

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Group has used 1 year of historical loss data to determine the loss rate and applied an adjustment against the historical loss rate based on aging of trade debtors to determine the level of expected credit loss, with focus on forward looking information. Longer history is not available due to changes to funding, moving from State-based block funding to NDIA funding.

As at date of consolidated financial statement, the ECLs for trade receivables are $2,936,000.

3 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* on the Group's Financial statements.

(a) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies, however no adjustments to the amounts recognised in the Financial statements were required. The new accounting policies are set out in Note 1(h). There was no impact on the Group's comprehensive income for the year to 30 June 2018 or the retained earnings as at 1 July 2019 resulting from the adoption of AASB 9 *Financial Instruments*.

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

3 Changes in accounting policies (continued)

(a) AASB 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

Financial assets - 1 July 2018	Note	Available-for-sale $'000	FVOCI $'000
Closing balance 30 June 2018 - AASB 139		**4,669**	**-**
Reclassify investment in managed funds from available-for-sale to FVOCI	(a)	(921)	921
Reclassify equity instruments from available-for-sale to FVOCI	(a)	(3,748)	3,748
Opening balance 1 July 2018 - AASB 9		**-**	**4,669**

The impact of these changes on the Group's equity is as follows:

	Note	Effect on AFS reserves $'000	Effect on FVOCI reserve $'000
Opening balance – AASB 139		**171**	**-**
Reclassify listed and unlisted equities from available-for-sale to FVOCI	(a)	(171)	171
Total impact		(171)	171
Opening balance - AASB 9		**-**	**171**

(a) Equity investments previously classified as available-for-sale

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of $4,669,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of $171,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 July 2018.

(II) Reclassifications of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (AASB 139)	**New (AASB 9)**	**Original**	**New**	**Difference**
Non-current financial assets			**$'000**	**$'000**	**$'000**
Equity securities	Available for sale	FVOCI	4,669	4,669	-
Current financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	61,405	61,405	-
Trade receivables	Amortised cost	Amortised cost	14,094	14,094	-
Current financial liabilities					
Payables	Amortised cost	Amortised cost	17,861	17,861	-

4 Financial risk management

The Board of Directors, on advice from the Audit and Risk Committee and senior management, is responsible for analysing and managing financial risk exposure. Risk management policies are approved and reviewed by the Board of Directors on a regular basis.

The Group is exposed to a number of financial risks comprising:

(a) Market price risk
(b) NDIS transition risk
(c) Government funding risk
(d) Interest rate risk
(e) Credit risk
(f) Liquidity risk

(a) Market price risk

The Group's exposure to equity securities price risk arises from the investment portfolio held by the Group and classified in the balance sheet as at FVOCI. These investments are subject to market fluctuations. The majority of these investments are ASX200 entities and therefore are subject to the risks associated with such markets. The day to day management of the investment portfolio is contracted to an external investment manager under mandate of the Board of Directors. The mandate provided by the Board of Directors requires an ethical and sustainable investment strategy.

(b) NDIS transition risk

As the National Disability Insurance Scheme ("NDIS") continues to rollout, the move to a more contestable, consumer driven market for the provision of services to people with a disability is changing the funding risk. We are experiencing a progressive transition away from the upfront payment of government funding by direct grants and payments for contracted services, to transactional, post service consumer directed payments made by the National Disability Insurance Agency, individual service users and other intermediaries.

The Group is managing this risk through a range of operational strategies to:
- Continually improve the quality and consistency of its services, with a stronger focus on person centred practices, customer relationship management and development of the support framework;
- Redesign and automate key business processes to bill efficiently, improve customer service levels and achieve operational efficiencies; and
- Build on the strength of the Aruma brand to enhance Aruma's value propositions to current and future customers.

The implementation of the NDIS also impacts credit and liquidity risk which is discussed under Notes 4(e) and 4(f).

4 Financial risk management (continued)

(c) Government funding risk

Despite the reduction in direct government funding during the transition to NDIS, the Group is dependent on state and federal government funding to operate many of its services and businesses. Direct government funding contributed 19% (2018: 46%) of the Group's revenues in the 2019 financial year. This risk is managed through a range of complementary strategies but cannot be totally mitigated. The major risk management strategies are:

Quality management
The Group demonstrates a commitment to quality and good governance by ensuring its systems and practices meet the NDIS Terms of Business, the NDIS Quality & Safeguarding requirements and the National Standards for Disability Services. In addition to these, the Group also holds discrete accreditations and certifications to State specific Standards in Victoria, NSW and Queensland as well as the Hazard Analysis and Critical Control point certification, Harmonised Australian Retailer Produce Scheme, Freshcare, ISO 9001:2015, TGA, Attendant Care. The Group is also a registered organisation with the Office of the Children's Guardian (NSW) for Voluntary Out of Home Care.

Effective tendering
The Group employs staff dedicated to the production of high quality tender and proposal documentation, within parameters of a documented bid management system, to ensure that proposals to operate new services are delivered to quality standards, well scoped and well costed.

Training
The Group spent a minimum of 1.5% of its annual payroll costs for training to ensure that staff are appropriately trained in the functional and management skills they require to perform their roles effectively.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Interest rate risk is minimal as the Group has no borrowings. Subject to consideration of liquidity risk, cash is held in fixed interest rate accounts to maximise returns.

(e) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any loss allowance of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors. The Group's largest debtor is NDIA, which represents 34% of receivables, however this represents a number of individual customers NDIA is funding, which is "agency-managed." The Group therefore minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group does not have any material credit risk in respect of cash and cash equivalents as these are held with Authorised Deposit taking Institutions (ADIs) regulated by Australian Prudential Regulation Authority (APRA).

4 Financial risk management (continued)

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and cash equivalents and/or unutilised borrowing facilities are maintained (Note 19(c)).

When considering the liquidity position of the Group it is important to recognise that there is access to quickly realisable non-current assets such as the Group's investment portfolio. This is principally an investment portfolio that could be easily converted to cash to cover any urgent cash requirements. In addition, current liabilities include an amount of government funding received in advance for services to be provided in the 2020 financial year.

5 Revenue and other income

	2019 $'000	2018 $'000
NDIS Funding	**235,996**	100,895
Government funding (Note 5(a))	**64,812**	123,119
Other services	**29,630**	29,158
Sale of goods	**5,705**	5,816
Fundraising appeals	**5,360**	4,683
Sundry revenue	**922**	908
	342,425	264,579
Other income		
Dividend income	**496**	266
Interest income	**1,099**	938
Net profit on sale of non-current assets	**-**	119
Discount on merger	**-**	18,097
	1,595	19,420
	344,020	283,999

(a) Sources of direct government funding

Federal government	16,826	11,994
NSW government	8,829	78,277
Queensland government	20,486	22,460
VIC government	18,671	10,388
	64,812	123,119

6 Expenses

Profit before income tax includes the following specific expenses:

	2019 $'000	2018 $'000
Net loss (gain) on disposal of non-current assets:		
- Loss on sale of property, plant and equipment	**559**	69
- Loss (gain) on sale of investments	**88**	(188)
Cost of sales	**4,279**	3,970
Depreciation	**5,728**	4,109
Amortisation	**1,121**	1,678
Impairment loss on trade receivables	**2,228**	535
Superannuation contribution	**21,700**	16,253
Rental expense on operating leases	**11,283**	8,827

7 Cash and cash equivalents

	2019 $'000	2018 $'000
Current assets		
Cash on hand	**28**	4
Cash at bank	**16,870**	15,403
At call deposits with financial institutions	**56,183**	45,998
	73,081	61,405

8 Trade receivables

	2019 $'000	2018 $'000
Current assets		
Trade receivables	**14,787**	10,799
Accrued income	**10,864**	4,026
Loss allowance	**(2,936)**	(731)
	22,715	14,094

(a) Loss allowance of trade receivables

Trade receivables are non-interest bearing with 30 days terms. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Based on the assessment performed no material impact was identified for the loss allowance calculation as at 30 June 2018 and 1 July 2018 (on adoption of AASB 9). The loss allowance has been included within other expenses within profit or loss.

8 Trade receivables (continued)

(a) Loss allowance of trade receivables (continued)

Movements in the loss allowance were:

	2019 $'000	2018 $'000
At 1 July	**731**	244
Charge for the year	**2,228**	535
Amounts written off	**(23)**	(48)
Unused amount reversed	**-**	-
At 30 June	**2,936**	731

9 Inventories

	2019 $'000	2018 $'000
Current assets		
At net realisable value		
Raw materials	**247**	252
Finished goods	**368**	545
	615	797

10 Other current assets

	2019 $'000	2018 $'000
Current assets		
Prepayments	**2,619**	2,337
Investment in term deposits	**900**	-
Other current assets	**380**	413
	3,899	2,750

11 Biological assets

	2019 $'000	2018 $'000
Non-current assets		
At fair value		
Macadamia and avocado trees	**602**	668
Total Biological assets	**602**	668

11 Biological assets (continued)

(a) Significant fair value assumptions

The fair value of avocado and macadamia trees is measured using a financial model based on the following assumptions:
- macadamia trees are expected to bear crops from 8 years to 34 years (2018: 8 years to 34 years),
- avocado trees are expected to bear crops from 8 years to 34 years (2018: 8 years to 34 years),
- expectations in respect of crop bearing are based on historical observations,
- selling prices, direct and overhead costs are based on actual results for the last three years,
- cash flows, expected over five years from existing trees, are discounted at a rate that takes into account the cost of capital plus a suitable risk factor (15%).

12 Financial assets at fair value through other comprehensive income

Non-Current Assets	**2019 $'000**	2018 $'000
FVOCI financial assets (2018: Available-for-sale financial assets)		
At cost		
Investments in managed funds	**1,052**	921
Equity instruments	**4,202**	3,748
Total FVOCI financial assets (2018: Available-for-sale financial assets)	**5,254**	4,669

Reconciliation of FVOCI financial assets (2018: Available-for-sale financial assets)

	2019 $'000	2018 $'000
Opening balance at 1 July	**4,669**	4,427
Additions	**1,197**	919
Disposals	**(863)**	(653)
Change in fair value of investment	**251**	(24)
Closing balance at 30 June	**5,254**	4,669

13 Intangible assets

	Goodwill $'000	Donor acquisition campaigns $'000	Total $'000
At 30 June 2018			
Cost	470	4,529	4,999
Accumulated amortisation and impairment	(214)	(3,010)	(3,224)
Net book amount	256	1,519	1,775
Year ended 30 June 2019			
Opening net book amount	256	1,519	1,775
Amortisation charge	-	(1,121)	(1,121)
Closing net book amount	256	398	654
At 30 June 2019			
Cost	470	4,529	4,999
Accumulated amortisation	(214)	(4,131)	(4,345)
Net book amount	256	398	654

14 Property, plant and equipment

	Freehold land $'000	Commercial buildings $'000	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2018						
Cost or fair value	5,660	7,269	35,726	4,941	30,066	83,662
Accumulated depreciation	-	(744)	(5,657)	(2,277)	(19,519)	(28,197)
Net book amount	5,660	6,525	30,069	2,664	10,547	55,465
Year ended 30 June 2019						
Opening net book amount	5,660	6,525	30,069	2,664	10,547	55,465
Additions	-	-	3,495	893	6,340	10,728
Disposals	-	-	(2,332)	(491)	(94)	(2,917)
Depreciation charge	-	(379)	(673)	(939)	(3,737)	(5,728)
Closing net book amount	5,660	6,146	30,559	2,127	13,056	57,548
At 30 June 2019						
Cost	5,660	7,269	36,086	4,987	35,612	89,614
Accumulated depreciation	-	(1,123)	(5,527)	(2,860)	(22,556)	(32,066)
Net book amount	5,660	6,146	30,559	2,127	13,056	57,548

Included in land and buildings are:

(i) land and buildings acquired with capital funding which the funding body may have an interest in the property or any proceeds on disposal. The written down value of these assets is $7,417,000 (2018: $7,329,000).

(ii) buildings with a total carrying value of $1,726,000 on government gazetted land in respect of which no communication has been received of any plans that would prevent the Group's continued use.

(a) Valuation

In June 2018, an independent valuation was obtained from PP&E Valuations Pty Ltd for all freehold land and Commercial buildings. The valuation was prepared to meet the requirements of AASB 116 on a highest and best use basis. The freehold land and Commercial Buildings class of assets was revalued based on the independent valuation.

(b) Property, plant and equipment pledged as security

The Group has bank facilities secured by a first registered mortgage over certain freehold land and buildings of the Group and by a first registered equitable mortgage over all of the Group’s assets and undertakings. Refer to Note 19(c) for details of the facilities.

15 Trade and other payables

	2019 $'000	2018 $'000
Current		
Unsecured liabilities		
Trade payables	**4,522**	3,684
Sundry creditors and accruals	**22,520**	14,177
	27,042	17,861

Included in sundry creditors and accruals is $8,162,000 of workers compensation premiums for a Loss Prevention Recovery insurance scheme. The Group's participation in a Loss Prevention Recovery insurance scheme for workers compensation involves the use of estimates. Estimates of the future cost of claims are based on historical claims experience and best estimate of the expenditure required to settle the present obligation for future adjustment premiums.

16 Provisions

		2019			2018	
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Make good provision	**413**	**-**	**413**	264	-	264
Employee benefits	**34,888**	**3,284**	**38,172**	32,470	3,496	35,966
Defined pension benefits ((a) - (d))	**-**	**4,694**	**4,694**	-	4,526	4,526
Contingent liability (e)	**-**	**2,176**	**2,176**	-	2,176	2,176
	35,301	**10,154**	**45,455**	32,734	10,198	42,932

(a) Defined Pension Benefits

The Group contributes to pooled post-employment defined benefit plans. These pooled funds are held by SAS Trustee Corporation Pooled Fund (the "Fund") which holds in trust the investments of the following closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS);
- Police Superannuation Scheme (PSS); and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit plans as at least one component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All of the Schemes are closed to new members. As at 30 June 2019, there were 18 members (2018: 22).

16 Provisions (continued)

(a) Defined Pension Benefits (continued)

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- *Longevity risk* - the risk that pensioners live longer than assumed, increasing future pensions.
- *Investment risk*- the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- *Pensions indexation risk* - The risk that pensions will increase at a greater rate than assumed, increasing future pensions.
- *Salary growth risk* - the risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, and thereby requiring additional employer contributions.
- *Legislative risk* - the risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Fund's assets are invested with independent fund managers and have a diversified mix. The Fund has no significant concentration of investment risk or liquidity risk.

An actuarial investigation of the Fund is performed every three years. The most recent investigation was performed at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

(b) Movement in net defined benefit (asset) liability

The Group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit section of the plan in line with the actuary's latest recommendations.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components.

	Defined benefit obligation $'000	**Fair value of plan assets $'000**	**Net defined benefit liability** $'000
Balance as at 30 June 2018	15,675	11,149	4,526
Included in profit or loss	757	283	474
Remeasurement loss (gain) included in Other Comprehensive income	499	612	(113)
Contributions paid	151	344	(193)
Benefits Paid	(1,314)	(1,314)	-
Balance as at 30 June 2019	15,768	11,074	4,694

16 Provisions (continued)

(c) Plan assets

All Fund assets are invested by SAS Trustee Corporation (the Trustee of the Fund) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Fund.

	Total ($'000)	**Quoted prices in active markets for identical assets Level 1 ($'000)**	**Significant observable inputs Level 2 ($'000)**	**Unobservable inputs Level 3 ($'000)**
Asset Category				
Short Term Securities	4,042,116	2,135,561	1,906,555	-
Australian Fixed Interest	2,294,672	4,993	2,289,679	-
International Fixed Interest	1,968,094	6,827	1,952,396	8,871
Australian Equities	8,368,928	7,818,302	547,571	3,055
International Equities	11,387,439	8,795,299	2,592,132	8
Property	3,588,230	698,607	717,079	2,172,544
Alternatives	10,558,182	327,329	5,758,095	4,472,758
Total	**42,207,661**	**19,786,918**	**15,763,507**	**6,657,236**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares, listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi government and corporate bonds, unlisted trusts.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt, hedge funds.

The percentage invested in each class at the reporting date:

	2019 %
As at 30 June 2019	
Short Term Securities	9.6%
Australian Fixed Interest	5.4%
International Fixed Interest	4.7%
Australian Equities	19.8%
International Equities	27.0%
Property	8.5%
Alternatives	25.0%
Total	100.0%

16 Provisions (continued)

(d) Defined benefits obligation

(i) Actuarial assumptions

The following are principal actuarial assumptions at the reporting date (expressed as weighted average):

At 30 June 2019 the duration of the defined benefit obligations was 9.9 years.

	2019	**2020 onwards**
Discount rate	2.73%	2.73%
Future salary growth	3.20%	3.20%
Future pension growth	2.50%	2.50%

(e) Contingent liability

As part of the prior year merger, the Group recognised a contingent liability of $2,176,000 in respect of a prosecution by Worksafe Victoria for breaches of the 2004 *Victorian Occupational Health and Safety Act* by Victorian Person Centred Services Limited (VISTA) in 2016. The potential amount of all future payments that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between $nil and $4,352,000.

As at 30 June 2019, this matter continues to represents a contingent liability that has been provided for in accordance with AASB 3 which requires an entity to recognise a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources will be required to settle the obligation.

17 Other liabilities

	2019 $'000	2018 $'000
Current		
Unexpended grants	**20,004**	11,352

Unexpended grants represents the government grants that have been received where the delivery of services in accordance with the funding agreements have not been delivered or are not scheduled to be delivered until the next financial year.

18 Other reserves and retained surplus

(a) Other reserves

The following table shows a breakdown of the consolidated statement of financial position line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	2019 $'000	2018 $'000
Revaluation surplus - property, plant and equipment	**8,312**	8,312
Defined benefit liability (asset) fair value reserve	**766**	652
FVOCI reserve	**422**	-
Available for sale financial asset reserve	**-**	171
	9,500	9,135

18 Other reserves and retained surplus (continued)

(a) Other reserves (continued)

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

The defined benefit liability (asset) fair value reserve is used to record movements in fair values of defined benefits liability (asset).

The available for sale financial asset reserve was used to record movements in fair values of financial assets classified as available for sale.

The financial assets at FVOCI reserve is used to record movements in fair values of financial assets classified as FVOCI.

(b) Retained surplus

Movements in retained surplus were as follows:

	2019 $'000	2018 $'000
Balance 1 July	**60,343**	37,208
Net profit for the period	**2,024**	23,135
Balance 30 June	**62,367**	60,343

19 Cash flow information

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2019 $'000	2018 $'000
Cash on hand	**28**	4
Cash at bank	**16,870**	15,403
At call deposits with financial institutions	**56,183**	45,998
	73,081	61,405

19 Cash flow information (continued)

(b) Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	2019 $'000	2018 $'000
Profit for the year		**2,024**	23,135
Adjustments for			
Amortisation and impairment losses		**1,121**	4,718
Depreciation	6	**5,728**	4,070
Net loss on disposal of property, plant and equipment		**559**	68
Net loss/(gain) on sale of financial assets		**88**	(188)
Dividends received and classified as investing activities		**(496)**	(266)
Discount on merger		**-**	(18,097)
Fair value losses on biological assets		**66**	-
Net loss allowance on receivables		**2,205**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
(Increase) /decrease in receivables		**(10,826)**	1,122
Increase in other assets		**(1,149)**	(158)
Decrease in inventories		**182**	94
Increase in payables		**9,181**	6,387
Increase/(decrease) in other liabilities		**8,652**	(2,359)
Increase in provisions		**2,637**	2,858
Net cash inflow from operating activities		**19,972**	21,384

(c) Credit standby arrangements with banks

	2019 $'000	2018 $'000
Overdraft Facility	**4,000**	4,000
Unused credit facility	**4,000**	4,000
Corporate Card Facility	**400**	400
Amount utilised	**(400)**	(400)
Unused credit facility	**-**	-

The bank facilities are secured by a first registered mortgage over certain freehold land and buildings of the Group and by a first registered equitable mortgage over all the parent entity assets and undertakings.

The corporate card facility is secured by a term deposit.

(d) Contingent liability arrangements with banks

	2019 $'000	2018 $'000
Contingent liability facility	**500**	500
Amount utilised	**(397)**	(428)
Unused liability facility	**103**	72

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 **$**	2018 $
Pitcher Partners (Sydney)		
Audit and other assurance services		
- Audit and review of financial statements	**8,000**	150,500
- Due diligence services	**-**	48,000
Total remuneration for audit and other assurance services	**8,000**	198,500
PricewaterhouseCoopers		
Audit and other assurance services		
- Audit and review of financial statements	**232,560**	-
Other services		
- Consulting services	**224,611**	-
Total remuneration for audit and other assurance services	**457,171**	-
KPMG (Melbourne)		
Audit and other assurance services		
Audit and review of financial statements	**-**	77,761

21 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in Note 24(a).

(b) Transactions with key management personnel of the entity or its parent and their personally related entities

Compensation received by key management personnel of the Group

	2019 $	2018 $
Compensation received by key management personnel of the Group		
Short- term employee benefits	2,257,402	2,405,865
Post -employment benefits	174,749	189,536
Other long term benefits	25,472	38,003
Termination benefits	76,675	298,756
	2,534,298	2,932,160

The non-executive Directors of the Company are all unpaid volunteers. The remuneration figures above reflect the benefits applicable to the senior executive team which consists of the most senior management roles, of which there were 8 as at 30 June 2019 (2018:10), including the CEO.

21 Related party transactions (continued)

(b) Transactions with key management personnel of the entity or its parent and their personally related entities (continued)

Other than remuneration disclosed above, there were no transactions with key management personnel (including directors, close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2019 (2018: $nil).

There were no loans to key management personnel (including directors, close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2019 (2018: $nil).

(c) Transactions with other related parties

There were no transactions with related parties during the year.

22 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	2019	2018
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**9,288**	7,251
Later than one year but not later than five years	**13,879**	7,315
	23,167	14,566

This represents motor vehicle and rental property lease commitments.

23 Business combination

(a) Prior year summary of acquisition

On 1 March 2018, the Group entered into a merger agreement with Aruma Foundation Limited (formerly The Tipping Foundation Ltd) ("The Foundation") and Victorian Person Centred Services Limited ("VISTA") whereby The Foundation and VISTA became wholly-controlled subsidiaries of the Company.

The Foundation and VISTA provide disability services akin to existing services provided by the Company, including supported independent living accommodation and short term accommodation services.

Details of the paid consideration

	$'000
Total consideration	**-**

23 Business combination (continued)

(a) Prior year summary of acquisition (continued)

Assets and liabilities merged

The assets and liabilities recognised as a result of the business combination are as follows:

	Recognised on merger at fair value $'000
Assets and liabilities held at merger date:	
Cash	**11,955**
Trade receivables	**5,101**
Property, plant and equipment	**17,405**
Other assets	**865**
Payables and other	**(2,621)**
Employee provisions	**(6,309)**
Deferred income	**(6,123)**
Provision for claim (Note 16(e))	**(2,176)**
Net identifiable assets acquired	**18,097**
Less: Discount on merger	**(18,097)**
Total consideration	**-**

24 Interests in other entities

(a) Material subsidiaries

The Group’s principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2019 %	2018 %
Aruma Services NSW Limited (formerly known as HWNS Services Limited)	Australia	**100**	100
Victorian Person Centred Services Limited	Australia	**100**	100
Aruma Foundation Limited (formerly known as The Tipping Foundation Limited)	Australia	**100**	100
Aruma Services Victoria Limited (formerly known as HWNS Services VIC Limited)	Australia	**100**	-

25 Contingent liabilities

Other than the matter noted in Note 16(e) the directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any known or anticipated losses.

26 Fundraising appeals conducted during the year

The Group has authority to raise funds under the provisions of section 16 of the NSW Charitable Fundraising Act 1991. That authority (CFN 13051) remains in force until 11 November 2020.

The Charitable Fundraising Act 1991 and associated regulations prescribe the manner in which fundraising appeals are conducted and reported in NSW. The disclosures below are in accordance with Authority Condition 7, which is issued to the Group under section 19 of the Act.

Fundraising appeals conducted during the financial year included, Raffles (6 Raffles), Direct mail appeals (Spring, Christmas, Autumn and Tax), and Community Fundraising (ForFitnessSake online fundraising event, miscellaneous community fundraisers, and Corporate volunteering activities). The Group also operates regular giving and a gift-in-Wills program.

	2019 $'000	2018 $'000
Results of Fundraising Appeals - Net Profit		
Gross proceeds from fundraising appeals	**5,363**	5,237
Less: Direct costs of fundraising appeals	**(3,063)**	(3,259)
	2,300	1,978

	2019 $'000	2018 $'000
Results of Fundraising Appeals - Application of Revenue		
Direct costs of fundraising appeals	**3,063**	3,259
Indirect costs of fundraising appeals	**1,600**	1,749
Provision of services	**315,220**	238,377
Shared services	**22,113**	17,480
	341,996	260,865

	2019	2018
Comparative Percentages		
Expenditure on provision of services / Total expenditure excluding direct costs of fundraising appeals (%)	**93.1%**	92.6%
Expenditure on provision of services / Income received excluding gross proceeds from fundraising appeals (%)	**93.0%**	91.5%
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	**57.1%**	62.2%
Net profit obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	**42.9%**	37.8%

26 Fundraising appeals conducted during the year (continued)

(a) Cost of fundraising

Costs of fundraising appeals are classified as direct or indirect. Only direct costs, as required under the Act and associated guidance, have been deducted from gross proceeds to determine the net profit from fundraising appeals. Indirect costs excluded from the calculation of net profit from fundraising appeals include overheads such as time spent by finance, management and office staff administering appeals, share of the Group's overhead costs, depreciation of office equipment and other costs that do not directly relate to fundraising appeals.

We operate in accordance the Australian Charities and Not for profits Commission (ACNC) Governance Standards, the Fundraising Institute of Australia (FIA) Code of Practice, and the Charitable Fundraising Act 1991.

27 Events occurring after the reporting period

On 23 July 2019, the Company changed its name to Aruma Services.

On 27 August 2018, the Group was awarded three parcels of disability services from the Victorian Government, which comprises 67 new supported independent living accommodation and short term accommodation services. On 7 July 2019, 23 services transferred to the Group, and the remaining 44 services transferred on 18 August 2019. Annual revenue expected for these transactions are expected to be approximately $61,000,000.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

28 Parent entity financial information

(a) Summary financial information

Summarised presentation of the parent entity, Aruma Services (formerly House with No Steps), financial statements:

	2019 $'000	2018 $'000
Assets		
Current assets	**64,232**	43,973
Non-current assets	**47,224**	44,100
Total assets	**111,456**	88,073
Liabilities		
Current liabilities	**53,747**	32,272
Non-current liabilities	**3,807**	3,499
Total liabilities	**57,554**	35,771
Net assets	**53,902**	**52,302**
Shareholders' equity		
Retained earnings	**45,169**	43,819
Reserves	**8,733**	8,483
Total equity	**53,902**	52,302
Profit for the year	**1,350**	6,611
Total comprehensive income	**1,600**	6,425

(b) Contingent liabilities of the parent entity

Please refer to Note 19(d) for contingent liabilities relating to the parent entity.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2019, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (2018: $nil).

In the directors' opinion:

(a) the Financial statements and notes set out on pages 8 to 44 are in accordance with the *Australian Charities and Not-For-Profits Commission Act 2012*, including:

  (i) complying with Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

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

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not for profits Commission Regulation 2013.*

Candice Charles - Chair
Director

Melbourne
16 October 2019

I, Andrew Richardson CEO of Aruma Services (formerly House with No Steps) (the "Company"), declare in my opinion:

(a) The consolidated statement of profit or loss and other comprehensive income and accompanying notes gives a true and fair view of all income and expenditure of the group with respect to fundraising appeal activities for the financial year ended 30 June 2019;

(b) The consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2019;

(c) The provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the Company's authority have been complied with during the year ended 30 June 2019; and

(d) The internal controls exercised by the group are appropriate and effective in accounting for all income received.

Andrew Richardson - CEO

16 October 2019

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Independent auditor's report

To the members of Aruma Services

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aruma Services (the Company) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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 on the other information that we obtained prior to the date of this auditor's report, 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 - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission (ACNC) 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 the 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_responsibilities/ar3.pdf. This description forms part of our auditor's report.

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Report on the Requirements of the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2015

We have audited the financial report of Aruma Services as required by Section 24 of the Charitable Fundraising Act 1991. The directors of the company are responsible for the preparation and presentation of the financial report in accordance with the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2015. Our responsibility is to express an opinion on the financial report based on our audit.

In our opinion:

a) the financial report and associated records have been properly kept, during the financial year ended 30 June 2019, in accordance with Sections 20 (1) and 22 (1-2) of the Charitable Fundraising Act 1991 and sections 10 (6) and 11 of the Charitable Fundraising Regulation 2015.

b) Money received as a result of fundraising appeals conducted during the financial year ended 30 June 2019 has been properly accounted for and applied in accordance with the above-mentioned Act and Regulation.

PricewaterhouseCoopers

PricewaterhouseCoopers

EPenny

Eliza Penny
Partner

Sydney
16 October 2019