MacKillop Family Services

FINANCIAL REPORT 2016 – 17

CELEBRATING 20 YEARS

LEADERSHIP
EMPOWER NURTURE
OPPORTUNITY

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MacKillop Family Services Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office and principal place of business is:
237 Cecil Street, South Melbourne, Victoria 3205.

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 5 to 11

ABN 79 078 299 288

COMPANY PARTICULARS

BOARD OF DIRECTORS	Mr Des Powell (Chair) Dr Garry Nolan (Deputy Chair) Sr Patricia Orchard rsm Sr Colleen O'Dwyer rsj Br Terry Burke cfc Ms Kerry Brettell Mr Alan Curtain Mr Matthew den Elzen Ms Robyn Fry Mr Brian Keane Dr Patricia McNamara Prof Peter Steane
CHIEF EXECUTIVE OFFICER	Dr Robyn Miller BSW, Grad Dip Fam Th, M.Fam Th, PhD.
COMPANY SECRETARY	Mr Graham Boal BCom (Accounting), ASA, FAICD
REGISTERED OFFICE	237 Cecil Street, South Melbourne, Victoria 3205 Telephone: 03 9699 9177 Facsimile: 03 9696 6496 Email: enquiry@mackillop.org.au Website: www.mackillop.org.au
SOLICITORS	Pearce Webster Dugdales (incorporating Tolhurst Druce and Emmerson)
PRINCIPAL BANKERS	Catholic Development Fund
AUDITORS	Crowe Horwath Melbourne

DIRECTORS' REPORT

The Directors have pleasure in presenting their report on the financial statements of MacKillop Family Services Ltd ('MacKillop') for the year ended 30 June 2017, made in accordance with a resolution of the Directors.

1. DIRECTORS

The Directors of the company as at the date of this report are:

Name & Qualifications	Experience	Special responsibilities
Mr Des Powell B.Ecops; GAICD; Member of Order of Australia(AM)	Commissioner, Victorian Commission for Gambling and Liquor Regulation; Director Victorian Regional Channels Authority; Director Grampians Wimmera Mallee Water; Director and Chair Federation Training. Extensive experience in Executive Management and Board roles in the public, private and not for profit sectors.	Chair Convenor of the Governance Committee and member of the Finance and Investment Committee
Dr Garry Nolan DBA, FAICD	Business Mentor (Retired Corporate Executive). Forty years of international business experience including new product development; strategy formulation and implementation; financial management and control; corporate governance; problem solving; team building and leading multi-disciplinary project teams.	Deputy Chair Convenor of the Audit and Risk Committee and member of the Governance Committee
Sr Patrice Orchard rsm Mothercraft Nurse, Child Care Certificate, BA (Psychology, Sociology)	Pastoral Care. Fourteen years Ministry in Pakistan. Ten years as leader of Sisters of Mercy Pakistan. Non-formal Education Programmes for Afghan women and children in Peshawar, Pakistan. Operations Manager, Diocesan Board of Education, Diocese of Islamabad-Rawalpindi, Pakistan. Aboriginal Ministry, Roebourne, Western Australia. Eight years Director of St Vincent's Child and Family Services Black Rock. Ten year's Child Care Worker at St Vincent's Orphanage South Melbourne and St Vincent's Black Rock. Pastoral Care Worker with Jesuit Refugee Services, Christmas Island Asylum Seeker Service.	Sisters of Mercy Congregational Representative and convenor of the Ethos and Culture Committee

Name & Qualifications	Experience	Special responsibilities
Sr Colleen O'Dwyer rsj DipEdAdmin	Pastoral Care and Colloquium Coordinator. More than 30 years' experience in schools, mainly in the role of Principal. Six years as the Leader of the Sisters of St Joseph in Victoria - 1996-2002. Director of Mission – MacKillop Family Services 2003-2010. Member of Towards Canonisation Committee (preparing for the Canonisation of Mary MacKillop).	Sisters of St Joseph Congregational Representative and member of the Ethics Committee
Br Terence Burke cfc BSc (Melb), BEd (Monash), MEdAdmin (UNE), MCouns (UTAS)	Pastoral Leadership with the Christian Brothers. Fifty years in education as a teacher of science, mathematics and religion in Australia and Fiji. Principal of schools on five occasions as well as numerous other leadership positions in schools. Loftus Scholar to Iona College New Rochelle NY in 1999. Participation in various workshops on leadership and spirituality. Telephone counsellor with Lifeline for 12 years.	Christian Brothers Congregational Representative and member of the Ethos and Culture Committee
Ms Kerry Brettell BSW (Hons), MSocSci	Director, Integroe Partners. More than 30 years working as a social worker, consultant, supervisor and executive coach including operational and governance leadership roles in family and children's services. Significant knowledge and experience in the delivery of Out of Home Care services. Currently providing leadership and organisational consultancy, facilitation, leadership coaching and supervision.	Convenor of the Quality and Research Committee
Mr Matthew Paul den Elzen Bachelor of Business Management	Investment Director for Hume Partners, managing investment portfolios for high net worth families and charitable foundations. Over 25 years' experience across investment management, strategy consulting and business roles.	Convenor of the Finance and Investment Committee and member of the Governance Committee
Mr Alan Curtain BTheol, GradDip Adolescent Health and Welfare, Master Workplace and Employment Law	Community Liaison Officer, Dept of Education & Training (Southern Region) Victorian Govt. Care Leaver from MacKillop Family Services and 20 years in the community services sector in youth work and community development. Five years working as an industrial relations advocate specialising in negotiation, mediation and conflict resolution.	Member of the Quality and Research Committee

Name & Qualifications	Experience	Special responsibilities
Ms Robyn Fry LLB., GIA(Cert)	Lawyer More than 30 years practising as a lawyer and over 15 years working in private and public sector general counsel and company secretary roles in the healthcare and funds management industries. Extensive experience in the establishment, direction and oversight of a broad range of governance frameworks, regulatory compliance functions, insurance portfolios and risk management and business continuity programs.	Member of the Ethics Committee
Mr Brian Keane BEc, FCPA	Director, Brian Keane Consulting Over 40 years' experience in finance and information services – the last 25 years in Executive Management roles. Now focus on providing expertise in these areas, especially in risk and governance. Leadership roles in many transformation initiatives has provided experience that can assist in identifying good business practice and recognising opportunities for strengthening and improving processes and controls.	Member of the Audit and Risk Committee
Dr Patricia McNamara BA, DipEd (Monash), BSW (Melb), GradDip FamTher (La Trobe), PhD (Melb), AASW, MAICD	Research consultant. Adjunct Senior Lecturer, School of Social Work and Social Policy, La Trobe University. Honorary Senior Fellow, Department Social Work, University of Melbourne. Has a PhD and is a qualified teacher, social worker and family therapist. More than 30 years practice experience in child, adolescent and family mental health and welfare settings. Many years' experience also as social work educator and researcher. Brings strong social policy, practice and research skills to the Board.	Member of the Quality and Research Committee
Prof Peter Steane PhD, M.Ed, B.Theol, GDipEd, FAICD	Emeritus Professor Macquarie Graduate School of Management (MGSM). Experience in Catholic Ministry and business consulting across private, public and charitable organisations. Research and publications in Leadership, Strategy and Public Policy. Non-profit Board experience; currently Trustee of Catholic Healthcare.	Convenor of the Ethics Committee

2. PRINCIPAL ACTIVITIES AND OBJECTIVES OF THE COMPANY

The company's principal activities are the provision of home based and residential care services, disability services, family support, preservation and therapy services, youth support and outreach services, educational services, organisational training and consultancy services, heritage and information services for former residents along with advocacy and research for vulnerable and disadvantaged children and young people and their families, utilising self-generated, federal and state government funding.

These principal activities assist in achieving the short and long-term objectives of the company by:

- providing services that assist disadvantaged children and their families;
- provide funding that enables the organisation to meet its budgetary and compliance requirements.

Short Term Objectives of the Company (as detailed in its Operating Plan)

The company has identified the following short-term objectives:

- to support and develop its staff and volunteers to ensure excellence in its workforce;
- to have a stable, trauma-informed, culturally competent and supported workforce providing high quality services;
- to provide practice leadership and innovation across the sector in MacKillop's core areas of expertise;
- to support Aboriginal self-determination and the care of Aboriginal children and young people by Aboriginal families and communities;
- to have a strong organisational culture based on MacKillop's ethos and values;
- to improve the systems required to ensure quality is universal across the organisation;
- to deliver consistent and quality services to all the clients it serves;
- to have a consultative budget process that ensures resources are distributed equitably and in line with the strategic directions of the organisation while meeting the commitment to a balanced operating budget.

The company has adopted the following strategies for achievement of these short-term objectives:

- embed the Sanctuary model as MacKillop's overarching operating framework to ensure trauma informed therapeutic practice across all areas of service delivery and including back of house staff;
- attract and retain quality staff and volunteers who are committed to working with disadvantaged children;
- increase therapeutic focus through employment of senior practitioners and greater embedding of therapeutic practice across all programs;
- partner collaboratively with Aboriginal Controlled Organisations where invited, to support the care of Aboriginal children and young people by Aboriginal families and communities and to seek support to enhance our cultural competency;
- improve client feedback mechanisms and ensure their voices are being heard and responded to and their experience of the services provided is used to inform future service enhancement and development;
- prepare of an annual budget for financial performance monitoring by management and directors;
- preparate of a risk-register with a focus on risk identification and mitigation;
- invest in the development and implementation of a client and business information system to support transparent and efficient practice.

Long-Term Objectives of the Company (as detailed in its Strategic Plan)

The company has identified the following long-term objectives:

- ensure children, young people and families are safe and able to access the services and supports they need;
- grow the capacity and reach of programs focused on strengthening and empowering children, young people and families, connected to culture and local community;
- provide high quality services that make a positive impact in empowering and improving the lives of those we serve;
- be an outcomes-focused organisation;
- seek opportunities for growth and innovation;
- ensure MacKillop has trauma-informed, skilled, culturally competent, committed and experienced staff, foster carers and volunteers;
- services provided are relevant and sustainable;
- be a socially responsible and environmentally sustainable organisation;
- have inclusive organisational practice informed by heritage and ethos;
- provide advocacy in the interests of the vulnerable children, young people and families in our areas of service in order to influence policy and resource allocation;
- have external engagement in policy development;
- ensure the long-term sustainability of MacKillop in a changing social, political and economic environment.

The company has adopted the following strategies for achievement of these long-term objectives:

- the preparation of a strategic plan to communicate the organisation's objectives to the community, funding bodies, government and employees;
- to be the leading Sanctuary provider in Australia;
- the preparation of an annual operating plan that implements the goals in the strategic plan;
- the preparation of budget forecasting that considers future service delivery needs, infrastructure needs, employment costs and maintaining prudent levels of working capital.
- the preparation of a robust risk management framework with a focus on the sustainability of the organisation.

Performance Measurement

The company uses the following tools to measure performance against out key performance indicators:

- number of children and families assisted by the organisation
- systematic service reviews and research to measure quality and outcomes
- client feedback
- compliance with legislation, regulations, reporting requirements and policies
- employee engagement surveys
- operating budget performance
- viewpoint, a regular survey of children and young people in out of home care.

3. DIRECTORS' MEETINGS

Director appointment and cessation dates, along with the number of Directors' meetings and committee meetings held during the financial year each Director held office and the number of meetings attended by each director is given below. It should be noted that not all Directors are members of all committees.

	Date appointed	Date of cessation	Board meetings		Committee meetings	
			A	**B**	**C**	**D**
Mr Des Powell (Chair)	Dec 2013		6	6	6	5
Dr Garry Nolan (Deputy Chair)	Nov 2010		6	6	6	6
Sr Patrice Orchard rsm	Nov 2010		6	6	3	3
Sr Colleen O'Dwyer rsj	Nov 2010		6	5	3	2
Br Terence Burke cfc	Nov 2011		6	6	3	2
Ms Kerry Brettell	Nov 2012		6	5	4	4
Mr Jarrod Coysh	Nov 2008	Nov 2016	2	1	1	0
Mr Alan Curtain	Nov 2010		6	5	4	3
Mr Matthew den Elzen	Nov 2016		4	3	6	5
Ms Robyn Fry	Nov 2015		6	6	3	2
Mr Brian Keane	Aug 2015		6	6	4	4
Dr Patricia McNamara	Nov 2010		6	6	4	4
Prof Peter Steane	Aug 2015		6	5	3	3

A – Board meetings held whilst a Director
B – Board meetings attended whilst a Director
C – Committee meetings held whilst a Director
D – Committee meetings attended whilst a Director

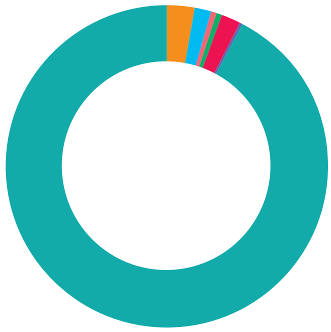
4. TRADING RESULTS

The company recorded a loss from ordinary operating activities of $2,005,198 (2016: $417,301). Other income from non-ordinary activities totals $1,369,826 (2016: $323,919) resulting in a net loss for the year of $635,372 (2016: $93,382).

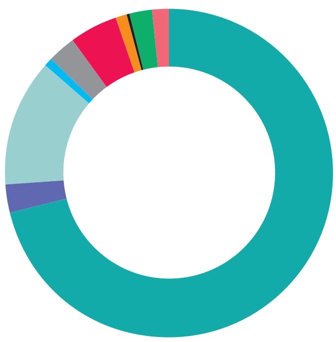
Other income is un-budgeted income received outside of MacKillop's normal activities and is capital in nature. This income is used to fund capital works or is invested and the income received used to fund innovative new services or the ongoing works of MacKillop.

The reported 'other comprehensive income' in the Statement of Comprehensive Income (page 13) is the recorded gain or loss in MacKillop's equity holdings within its financial assets, which is yet to be realised. After taking into account the gain in revaluation of financial assets for the year of $1,209,405, the resulting total comprehensive income for the year is $574,033 (2016: loss $788,346).

REVENUE	2017	2016
Government grants	92.3%	93.1%
Enterprise income	0.4%	1.2%
Bequests	1.8%	0.5%
Trust funds	0.5%	0.3%
Donations/fundraising	0.8%	0.9%
Investment income	1.5%	1.7%
Other income - includes WorkCover recoveries, profit on sale of property and vehicles, business transfers and other minor income	2.7%	2.3%
Total	**$77,677,428**	**$67,030,284**



EXPENSES	2017	2016
Employee benefits expense	71.4%	71.0%
Depreciation and amortisation expense	2.7%	2.9%
Client expense	12.5%	12.3%
Fundraising and volunteer expense	0.9%	0.1%
Occupancy expense	2.6%	2.5%
Property maintenance and equipment expense	4.8%	5.5%
Motor vehicle running expense	1.3%	1.4%
Audit and legal expense	0.2%	0.1%
Administration expense	2.3%	2.3%
Other expeneses	1.3%	1.9%
Total	**$78,312,800**	**$67,123,666**



5. MEMBERSHIP OF THE COMPANY

The company is incorporated as a company limited by guarantee that requires the members of the company to contribute $10 per member towards the company liabilities on the winding up of the company.

Membership Class	Number of Members	Individual Members Contribution on Winding Up of the Company	Total Members Contribution on Winding Up of the Company
Ordinary Members	6	$10	$60

6. AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditors Independence Declaration as required under section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 is set out below.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors:

Mr Des Powell
Director
Melbourne Victoria
11 October 2017

Mr Matthew den Elzen
Director

Auditor Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of MacKillop Family Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been no contraventions of:

1. The auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

2. Any applicable code of professional conduct in relation to the audit.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

John GAVENS

Partner

Melbourne, Victoria

11 October 2017

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue and other income			
Revenue from operating activities	*2(a)*	74,639,806	65,284,166
Revenue from outside operating activities	*2(b)*	1,667,796	1,422,199
Revenue and other income		**76,307,602**	**66,706,365**
Expenditure			
Employee benefits expense		50,538,206	43,724,246
Other employment expenses		5,422,085	3,924,315
Depreciation and amortisation expense	*3(b) (i)*	2,118,926	1,917,534
Client expense		9,764,690	8,268,375
Fundraising and volunteer expense		215,790	93,249
Occupancy expense		2,030,016	1,652,551
Property maintenance and equipment expense		3,729,199	3,659,415
Motor vehicle running expense		987,681	915,290
Audit and legal expense		159,205	100,641
Administration expense		1,785,327	1,568,591
Other expenses		1,561,675	1,299,459
Expenditure		**78,312,800**	**67,123,666**
Loss from ordinary activities		**(2,005,198)**	**(417,301)**
Other income	*2(c)*	1,369,826	323,919
Net loss for the year	*13(a)*	**(635,372)**	**(93,382)**
Other comprehensive income			
Net gain / (loss) on revaluation of financial assets		1,209,405	(694,964)
Other comprehensive income / (loss) for the year		**1,209,405**	**(694,964)**
Total comprehensive income / (loss) for the year		**574,033**	**(788,346)**

The statement of comprehensive income is to be read in conjunction with the attached notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	*5*	7,626,512	5,292,628
Trade and other receivables	*6(a)*	2,223,029	1,153,370
Prepayments	*6(b)*	387,982	210,662
Financial assets	*7*	3,000,000	6,000,000
Total current assets		**13,237,523**	**12,656,660**
Non-current assets			
Financial assets	*7*	16,804,160	16,887,549
Prepayment	*6(b)*	2,500,000	-
Property, plant and equipment	*8*	26,984,950	27,998,002
Intangible assets	*9*	1,446,210	-
Total non-current assets		**47,735,320**	**44,885,551**
Total Assets		**60,972,843**	**57,542,211**
Current liabilities			
Trade and other payables	*10*	6,547,391	5,518,163
Short-term provisions	*11*	4,284,943	3,390,497
Other	*12*	6,439,467	5,075,208
Total current liabilities		**17,271,801**	**13,983,868**
Non-current liabilities			
Long-term provisions	*11*	1,006,622	1,437,956
Total non-current liabilities		**1,006,622**	**1,437,956**
Total liabilities		**18,278,423**	**15,421,824**
Net assets		**42,694,420**	**42,120,387**
Equity			
Contributed funds reserve		23,481,100	23,481,100
Trust funds reserve		3,714,183	3,714,183
Innovation funds reserve		158,049	-
Financial assets reserve		2,470,770	1,261,365
Retained earnings		12,870,318	13,663,739
Total equity		**42,694,420**	**42,120,387**

The statement of financial position is to be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Funds Reserve $	Trust Funds $	Innovation Funds Reserve $	Financial Assets Reserve $	Retained Earnings $	Total $
Balance at 30 June 2015	**23,481,100**	**3,714,183**	**-**	**1,956,329**	**13,757,121**	**42,908,733**
Surplus / (loss) attributable to the entity	-	-	-	-	(93,382)	(93,382)
Other comprehensive income / (loss)	-	-	-	(694,964)	-	(694,964)
Balance at 30 June 2016	**23,481,100**	**3,714,183**	**-**	**1,261,365**	**13,663,739**	**42,120,387**
Surplus / (loss) attributable to the entity	-	-	-	-	(635,372)	(635,372)
Transfers in / (out)	-	-	158,049	-	(158,049)	-
Other comprehensive income / (loss)	-	-	-	1,209,405	-	1,209,405
Balance at 30 June 2017	**23,481,100**	**3,714,183**	**158,049**	**2,470,770**	**12,870,318**	**42,694,420**

The statement of changes in funds is to be read in conjunction with the attached notes.

Note: The nature and purpose of the above funds and reserves are:

a. **Contributed Funds Reserve**

Contributed Funds are the assets that were contributed by the Founding Agencies upon the commencement of MacKillop Family Services or were assets (or proceeds from the later sale of assets) that the Founding Congregations distributed at a later date.

b. **Trust Funds Reserve**

Trust Funds are the cash funds that were transferred to MacKillop by the Founding Agencies upon the commencement of MacKillop Family Services.

c. **Innovation Funds Reserve**

Innovation Funds Reserve income is set aside to fund innovative new services.

d. **Financial Assets Reserve**

This reserve recognises and records fair value changes in investments available for sale.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $ Inflows (Outflows)	2016 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from government and other		76,345,641	71,394,048
Payments to suppliers and employees		(77,995,872)	(67,960,632)
Dividends received		-	620,152
Interest received		249,292	400,120
Net cash (used in) /provided by operating activities	*13(a)*	**(1,400,939)**	**4,453,688**
Cash flows from investing activities			
Payment for property, plant and equipment		(2,516,270)	(2,411,141)
Payment for intangible assets		(792,622)	-
Proceeds from sale of property, plant and equipment		1,338,326	959,326
Proceeds from sale of/ (payment for) financial assets		5,000,000	(1,620,152)
Proceeds from business combination, net of cash acquired		705,389	-
Net cash provided by/ (used in) investing activities		**3,734,823**	**(3,071,967)**
Net increase in cash and cash equivalents		2,333,884	1,381,721
Cash and cash equivalents at beginning of year		5,292,628	3,910,907
Cash and cash equivalents at end of year		**7,626,512**	**5,292,628**

The statement of cash flows is to be read in conjunction with the attached notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The financial statements are for MacKillop Family Services Limited ('MacKillop') as an individual entity, incorporated and domiciled in Australia. MacKillop is a company limited by guarantee.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(aa) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board (AASB) and associated regulations, and the requirements of Section 60.40 of the Australian Charities and Not-for-profits Commission Regulations 2013 (ACNC Regulations). The company is a not for profit entity for financial reporting purposes under Australian Accounting Standards. The amounts presented in the financial statements have been rounded to the nearest dollar.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards have been issued but are not yet effective:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.
- AASB 16 Leases

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The expected impact on the financial statements of the Accounting Standards that have been issued but are not yet effective is detailed below:

AASB 9 Financial Instruments:

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

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company anticipates that the application of AASB 9 in the future may have an impact on the amounts reported in respect to the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Company undertakes a detailed review.

AASB 15 Revenue from Contracts with Customers:

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The company anticipates that the application of AASB 15 in the future may have an impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the company undertakes a detailed review.

AASB 16 Leases:

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The company anticipates that the application of AASB 16 in the future may have an impact on the amounts reported and disclosures made in the company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Company undertakes a detailed review.

MacKillop is responsible for the works previously conducted by the following Founding Agencies:

(i) Christian Brothers' Child, Youth and Family Services, Footscray which included:
  (a) St Augustine's Adolescent and Family Services, Whittington
  (b) St Joseph's Homes for Children, Flemington
  (c) St Vincent's Boys Home, South Melbourne

(ii) Mercy Family Care Centre, North Geelong
(iii) St Vincent de Paul Child and Family Services, Black Rock
(iv) St Anthony's Family Service, Footscray
(v) St Joseph's Babies and Family Services, Glenroy

Since commencement of operations, MacKillop has become responsible for continuing the works of the following organisation:

(i) Edmund Rice Community Services, NSW
(ii) Cara Incorporated, Victoria (East)

On formation, MacKillop acquired the net assets of the Founding Agencies. Land and buildings which MacKillop utilises were not acquired, although the use of these premises is made available at no cost by each of the Congregations.

(a) Income Tax

MacKillop is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act 1997.

(b) Revenue

Grant revenue is recognised in the Statement of Comprehensive Income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Gain or loss in market value of investments and franking credits are recognised at fair values at the end of the financial year.

Fundraising income, trust funds, donations, bequests and other income are recognised as revenue when received.

Dividends and interest income are brought to account when received or earned respectively.

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

(c) Business Combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related item in the statement of financial position.

(e) Trade and Other Receivables

Terms of payment are generally fourteen days from the date of the invoice. The collectability of debtors is regularly reviewed. A provision for doubtful debts is raised where doubt as to the collection exists. Debts which are known to be uncollectible are written off within the period to which they relate.

(f) Property, Plant and Equipment

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

(g) Acquisition

Assets are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition, plus costs incidental to acquisition.

Non-monetary assets received in the form of grants or donations are recognised as assets and revenues at their fair value at the date of receipt.

(h) Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of items of property, plant and equipment other than freehold land over their expected useful lives. The depreciation rates are:

Equipment	–	15% to 33%
Furniture, fixtures and fittings	–	10% to 15%
Motor vehicles	–	15% to 20%
Buildings	–	2% to 5%

Assets are depreciated from the date of acquisition.

(i) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Development costs for internally generated intangible assets i.e. software products that are identifiable and unique will be capitalised, where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the asset will probably generate future economic benefits; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs capitalised in relation to software development may relate to either:

- completely separable software, or;
- enhancements of existing software which are clearly identifiable as new modules within the system or new features which enable the asset to generate additional future economic benefit. This excludes the ongoing maintenance to the existing software.

Directly attributable costs that are capitalised as part of the software product include the external consultant costs.

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. Software products are amortised on straight line basis over its useful life i.e. 6 years. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(j) Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their life of six years.

(k) Impairment of Non-Current Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(l) Accounting for Leases

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

(m) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

(n) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(n) Classification and subsequent measurement (Continued)

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(o) Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(p) De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(q) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to MacKillop prior to the end of the financial year. The amounts are unsecured and are usually paid within thirty days of recognition.

(r) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(s) Annual Leave and Accrued Time-Off

Most annual leave and all accrued time-off are expected to be settled within one year of the balance date. Some annual leave is expected to be taken after one year and has been discounted in the year end provision. The provision is calculated on wage and salary rates at which these entitlements are expected to be paid when the liability is settled and includes related on-costs.

All annual leave and accrued time-off are treated as short-term provisions.

(t) Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the company resulting from the services provided up to balance date.

Long service leave is based on MacKillop's Enterprise Based Agreements along with other work place agreements and contracts and the Victorian Long Service Leave Act where applicable.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using rates attaching to government securities. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates and the company's experience with staff departures. Related on-costs have also been included in the liabilities.

(u) Superannuation Funds

MacKillop contributes to various employee superannuation funds. The contributions payable are charged against income.

(v) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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.

Cash flows arising from the GST are grossed up in the Cash Flow Statement.
The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

(w) Comparatives and Prior Year Adjustments

Comparatives have been adjusted to conform to changes in presentation (if any) in the current financial year where required by the Accounting Standards.

(x) Economic Dependence

MacKillop is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Department will not continue to support MacKillop.

(y) Critical Accounting Estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income. Any subsequent reversal of an impairment loss is not reversed through the statement of comprehensive income.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Key judgments

Available-for-sale investments

The company maintains a portfolio of securities with a carrying amount of $16,804,160 at the end of the reporting period. Certain Individual investments have increased in value. Should share values decline to an unacceptable level below cost, or should prices remain at levels below cost for a lengthy period, the Directors have determined that such investments will be considered impaired in the future.

(z) Members' Liability on Winding Up

The liability of the members of the company is limited.

According to clause 65 of the company's constitution, each member of the company undertakes to contribute to the property of the company in the event of the same being wound up while the person is a member, or within one year after the person ceases to be a member, for payment of the debts and liabilities of the company contracted before the person ceased to be a member, and the costs, charges, and expenses of winding up and for the adjustment of the rights of the contributories amongst themselves, such amount as may be required, but not exceeding ten dollars ($10).

At 30 June 2017, there were six members of the company.

NOTE 2 REVENUE

			NOTE	2017 $	2016 $
(a)	**Revenue from operating activities**				
	Government grants	- State		68,089,431	58,054,660
		- Commonwealth		3,305,664	4,256,139
		- Other		158,945	101,308
				71,554,040	**62,412,107**
	Enterprise income			346,384	788,593
	Trust funds			353,568	193,852
	Donations / fundraising			618,599	630,511
	Gain arising from business combination		*21*	405,192	-
	Other			1,362,023	1,259,103
				74,639,806	**65,284,166**
(b)	**Revenue from outside the operating activities**				
	Dividends from equity investments			707,206	620,152
	Interest - other persons			206,929	312,359
	Franking credits			240,365	214,686
	Gain on disposal of property, plant and equipment		*3 (a)*	513,296	275,002
				1,667,796	1,422,199
				76,307,602	**66,706,365**

(c) **Other Income**

Other income is unbudgeted income received outside MacKillop's normal activities and is capital in nature.

This income is used to fund capital works or is invested and the income received used to fund innovative new services or the ongoing works of MacKillop.

Significant Items from Ordinary Activities		
Bequest income	**1,369,826**	**323,919**

Net gains and expenses

Surplus from ordinary activities includes the following specific net gains and expenses

NOTE 3 OPERATING SURPLUS

(a)	**Net gain**		
	Disposal proceeds	1,338,326	959,326
	Carrying value	(825,030)	(684,324)
	Gain on disposal of property, plant and equipment	**513,296**	**275,002**
(b)	**Expenses**		
	(i) Depreciation and amortisation		
	Buildings and improvements	618,754	579,632
	Plant and equipment	1,376,004	1,337,902
	Intangible assets	124,168	-
	Total	**2,118,926**	**1,917,534**
	(ii) Operating lease rentals		
	Lease payments	**1,450,600**	**1,117,531**

NOTE 4 AUDITOR'S REMUNERATION

	NOTE	2017 $	2016 $
Auditing the financial report		25,000	26,300
Other services		9,000	10,800

NOTE 5 CASH AND CASH EQUIVALENTS

		2017 $	2016 $
CURRENT			
Cash at bank and on hand		7,626,512	5,292,628

NOTE 6 (A) TRADE AND OTHER RECEIVABLES

		2017 $	2016 $
CURRENT			
Accrued income		1,304,511	502,490
Other		918,518	650,880
		2,223,029	1,153,370

NOTE 6 (B) PREPAYMENTS

	NOTE	2017 $	2016 $
CURRENT			
Other Assets		387,982	210,662
NON-CURRENT			
Other assets	*b (i)*	2,500,000	-

b (i) The balance relates to advance payment made for the lease of a building space located in Melton, Victoria which is due to be completed by end of calendar year 2018. The lease covers a 10- year period with two further option terms of 10 years exercisable by MacKillop at no further cost.

NOTE 7 FINANCIAL ASSETS

	NOTE	2017 $	2016 $
CURRENT			
Held-to-maturity investments			
(a) Bank bills	*(i)*	3,000,000	6,000,000
NON-CURRENT			
Available-for-sale investments			
(b) Income securities		421,300	354,915
(c) Investment in equities with fund managers		16,382,860	16,532,634
	(i)	16,804,160	16,887,549
Available-for-sale financial assets			
Shares in listed corporations and managed investment services at fair value:			
Balance at the beginning of the year		16,887,549	15,962,361
Purchases		-	1,000,000
Sales		(2,000,000)	-
Dividends reinvested		707,206	620,152

NOTE 7 FINANCIAL ASSETS (CONTINUED)

	NOTE	2017 $	2016 $
Fair value re-measurement gains		1,209,405	(694,964)
Balance at the end of the year		**16,804,160**	**16,887,549**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are There are no fixed returns or fixed maturity dates attached to these investments.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

		2017 $	2016 $
	NON-CURRENT		
	At cost and accumulated depreciation		
(a)	Land		
	At cost	4,888,000	5,203,000
		4,888,000	**5,203,000**
	Buildings and improvements		
	At cost	21,162,609	21,104,186
	Work in progress	111,499	-
	Less accumulated depreciation	4,115,463	3,524,418
	Plant and equipment		
	At cost	9,881,061	9,619,262
	Less accumulated depreciation	4,942,756	4,404,028
		4,938,305	**5,215,234**
	Total	**26,984,950**	**27,998,002**

(b) Reconciliation of the carrying amount at the beginning and end of the current financial year:

	Land $	Buildings $	Plant and equipment $	Work in Progress $	Total $
Net carrying amount at 1 July 2015	**5,203,000**	**17,711,769**	**5,077,882**	**-**	**27,992,651**
Additions	-	447,631	2,159,578	-	2,607,209
Disposals	-	-	(684,324)	-	(684,324)
Depreciation	-	(579,632)	(1,337,902)	-	(1,917,534)
Net carrying amount at 30 June 2016	**5,203,000**	**17,579,768**	**5,215,234**	**-**	**27,998,002**
Additions	-	239,871	2,203,366	111,499	2,554,736
Disposals	-	(42,240)	(467,790)	-	(825,030)
Transfer to intangible assets	(315,000)	-	(748,000)	-	(748,000)
Depreciation	-	(618,754)	(1,376,004)	-	(1,994,758)
Net carrying amount at 30 June 2017	**4,888,000**	**17,158,645**	**4,826,806**	**111,499**	**26,984,950**

NOTE 9 INTANGIBLE ASSETS

	2017 $	2016 $
NON-CURRENT		
At cost	1,099,243	-
Work in progress	471,135	-
Less accumulated amortisation	124,168	-
	1,446,210	**-**

	Software $	Work in progress $	Total $
Net carrying amount as at 30 June 2015/2016			
Additions	351,243	471,135	822,378
Transfer from plant & equipment	748,000	-	748,000
Amortisation	(124,168)	-	(124,168)
Net carrying amount at 30 June 2017	**975,075**	**471,135**	**1, 446,210**

NOTE 10 TRADE AND OTHER PAYABLES

	2017 $	2016 $
CURRENT		
Trade creditors	3,011,822	2,607,050
Other creditors	3,535,570	2,911,113
	6,547,392	**5,518,163**

NOTE 11 EMPLOYEE LEAVE PROVISIONS

Long service leave		
Unconditional and expected to settle within 12 months (nominal value)	1,552,468	1,347,432
Annual leave		
Unconditional and expected to settle within 12 months (nominal value)	2,118,684	1,750,206
Unconditional and expected to settle after 12 months (present value)	499,914	220,008
Time in lieu		
Unconditional and expected to settle within 12 months (nominal value)	113,877	72,851
Total current provisions	**4,284,943**	**3,390,497**
NON-CURRENT		
Long service leave		
Expected to settle after 12 months (present value)	1,006,622	1,437,956
Total employee leave provisions	**5,291,565**	**4,828,453**

NOTE 11 EMPLOYEE LEAVE PROVISIONS (CONTINUED)

	Long Service Leave $	Annual Leave $	Time in Lieu $	Total $
Analysis of total provisions:				
Opening balance at 1 July 2016	**2,785,388**	**1,970,214**	**72,851**	**4,828,453**
Additional provisions raised during year	115,947	3,063,539	61,400	3,240,886
Amounts used	(342,245)	(2,415,155)	(20,374)	(2,777,774)
Balance at 30 June 2017	**2,559,090**	**2,618,598**	**113,877**	**5,291,565**

Employee numbers	**2017**	**2016**
Average number of employees during the financial year:		
- Full-time employees	295	284
- Part-time and casual employees	375	351
	670	635

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave, long service leave and time in lieu.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(k).

NOTE 12 OTHER LIABILITIES

	2017 $	2016 $
CURRENT		
Income and government grants received in advance	502,632	-
Unexpended income and government grants	5,936,835	5,075,208
	6,439,467	**5,075,208**

NOTE 13 CASH FLOW INFORMATION

		2017 $	2016 $
(a)	The operating deficits are reconciled with net cash flows from operating activities as follows:		
	Operating loss	(635,372)	(93,382)
	Adjustment for non-cash items:		
	Depreciation	2,118,926	1,917,534
	Net gain on disposal of property, plant and equipment	(513,296)	(275,002)
	Dividend income	(707,206)	-
	Gain arising from business combination	(405,192)	-
	Changes in operating assets and liabilities:		
	Increase / (decrease) in provisions for employee entitlements	276,812	(17,151)
	Increase in payables	1,029,228	1,565,289
	Increase / (decrease) in unexpended income and government grants	1,099,562	(540,069)
	(Increase)/decrease in receivables	(1,069,659)	1,190,086
	(Increase) / decrease in prepayments	(2,594,742)	706,383
	Net cash flows from operating activities	**(1,400,939)**	**4,453,688**

NOTE 14 RELATED PARTY TRANSACTIONS

(a) KEY MANAGEMENT PERSONNEL

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

	$	$
Key management personnel compensation	**2,939,627**	**2,237,263**

(b) RELATED PARTIES

The directors of the company and key management personnel were the only related parties.

During the year there were no financial transactions with related parties other than disclosed in Note 14(a) above.

(c) DIRECTORS' REMUNERATION

The directors of the company have received no benefits during the financial year for the performance of their duties as directors.

NOTE 15 OPERATING LEASE COMMITMENTS

	2017 $	2016 $
Rental commitments of properties under non-cancellable leases payable:		
- not later than one year	1,284,236	967,860
- later than one year but not later than five years	2,075,005	1,360,905
	3,359,241	**2,328,765**

NOTE 16 SEGMENT INFORMATION

(a) Industry

MacKillop operates in the sole area of providing welfare and education services for vulnerable children, young people and their families.

(b) Geographical

MacKillop currently operates in Victoria, New South Wales and Western Australia.

NOTE 17 CAPITAL COMMITMENTS

The Board has signed building contracts to complete two office refurbishments by November 2017. The first is for a new office on Plenty Road Preston in Victoria to relocate staff in its Northern program, previously based at Victoria Street Footscray, closer to the area it services. The second contract is for an office upgrade at Commercial Road Footscray to accommodate remaining staff from Victoria St Footscray which will see the closure of this site. The total cost of the building contracts is $694,000.

NOTE 18 CONTINGENT LIABILITY

There are no significant contingent liabilities as at reporting date.

NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE

The financial report was authorised for issue on 11 October 2017 by order of the Board of Directors.

MacKillop has entered into a transfer of business agreement with Good Grief NSW and MacKillop Rural Community Services NSW effective from 1 July 2017. MacKillop has also entered into a transfer of business agreement with St Joseph's Cowper Limited in Grafton NSW effective from 1 October 2017.

NOTE 20 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, accounts receivable and payable, and leases.

The carrying amounts of each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	*5*	7,626,512	5,292,628
Loans and receivables	*6 (a)*	2,223,029	1,153,370
Held-to-maturity investments	*7(i)*	3,000,000	6,000,000
Available-for-sale financial assets	*7(i)*	16,804,160	16,887,549
Total financial assets		**29,653,701**	**29,333,547**
Financial liabilities			
Financial liabilities at amortised cost:			
trade and other payables	*10*	6,547,391	5,518,163
Total financial liabilities		**6,547,391**	**5,518,163**

Fair values

Fair values have been based on closing quoted bid prices at the end of the reporting period for listed available-for-sale financial assets. In determining the fair values of the unlisted available-for-sale financial assets, the Directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.

NOTE 21 GAIN ARISING FROM BUSINESS COMBINATION

On 1 November 2016, MacKillop's merger with Cara became effective. Cara Inc. is an organisation with specialist expertise in supporting young women in the child protection system, including young mothers and their babies. The merger introduces MacKillop services to the eastern metropolitan region of Melbourne.

The following table shows the provisional assets acquired, provisional liabilities assumed and the purchase consideration at the acquisition date.

Business Combinations	$
Cash at Bank	705,389
Prepayments	82,578
Plant & Equipment	38,466
Intangible Assets	29,756
Employee Benefits	(186,300)
Other liabilities	(264,697)
iable assets	**405,192**
ets acquired and liabilities assumed	**405,192**
Purchase consideration	
Less: identifiable assets	405,192
Bargain purchase gain/ discount on acquisition	**405,192**

The initial accounting for business combination for certain assets and liabilities remains incomplete as at the October 2017 report date. Accordingly, the carrying value of assets acquired and liabilities assumed above are recorded on provisional basis.

DIRECTORS' DECLARATION

MacKillop Family Services Limited
ABN 79 078 299 288

30 JUNE 2017

The Directors declare that in their opinion:

(a) The attached financial statements and notes thereto comply with accounting standards

(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company

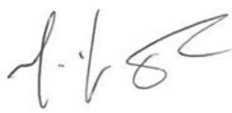
(c) The attached financial statements and notes thereto are in accordance with the requirements of the Australian Charities and Not-for-profits Act 2012.

(d) There are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant with subsection 60.15 (2) of the Australian Charities and Not-for-profits Commission Regulations 2013.

On behalf of the directors:

Mr Des Powell
Director
Melbourne Victoria
11 October 2017



Mr Matthew den Elzen
Director

Independent Auditor's Report to the Members of MacKillop Family Services Limited

Opinion

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

In our opinion, the accompanying financial report of the Company has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance and cash flows for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, 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, 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.

Responsibility 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 Act 2012 (ACNC Act) 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 Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

Report on other legal and regulatory requirements

In accordance with the requirements of section 60-45(3) (b) of the ACNC Act, we are required to describe any deficiency, failure or shortcoming in respect of the matters referred to in paragraph 60-30(3)(b), (c) or (d) of the ACNC Act. We have nothing to report in this regard.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

JOHN GAVENS
Partner
Melbourne, Victoria
11 October 2017

JUSTICE HOPE
COLLABORATION
COMPASSION
RESPECT

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