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**FINANCIAL STATEMENTS**  
**For the year ended 30 June 2019**

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### General information

The financial statements cover MSWA as an individual entity. The financial statements are presented in Australian dollars, which is MSWA's functional and presentation currency.


The financial statements were authorised for issue on 25 September 2019.

# STATEMENT BY THE BOARD OF DIRECTORS

In the opinion of the Board of Directors of MSWA:

- (i) the attached financial statements and notes thereto comply with Australian Charities and Not-for-profits Commission Act 2012, the applicable Australian Accounting Standards as described in Note 1 of the financial statements, the Associations Incorporation Act 2015 (WA), and Charitable Collections Act 1946 (WA) and associated regulations and other professional reporting requirements;
- (ii) attached financial statements and notes thereto gives a true and fair view of the financial position of MSWA as at 30 June 2019 and its performance for the financial year ended;
- (iii) at the date of this statement, there are reasonable grounds to believe that MSWA will be able to pay its debts as and when they become due and payable; and
- (iv) MSWA is collecting monies and goods and dispersing those monies and goods in accordance with MSWA objectives.

Signed in accordance with a resolution of the Board of Directors by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Dated this the 25 day of September 2019

**RSM Australia Pty Ltd**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Multiple Sclerosis Society of Western Australia Inc (MSWA) for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM**

RSM AUSTRALIA PTY LTD



ALASDAIR WHYTE  
Director

Perth, WA  
Dated: 25 September 2019

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
MULTIPLE SCLEROSIS SOCIETY OF WESTERN AUSTRALIA INC.**

**Opinion**

We have audited the financial report of the Multiple Sclerosis Society of Western Australia Inc. (MSWA), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by the Board of Directors.

In our opinion, the financial report of MSWA has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)*, including:

- (a) giving a true and fair view of MSWA's financial position as at 30 June 2019 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*, and the *Associations Incorporation Act 2015 (WA)*.

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

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

**Basis of Accounting**

We draw attention to Note 1, which describes the basis of accounting. The financial report has been prepared to assist MSWA to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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## **Other Information**

Those charged with governance are responsible for the other information. The other information comprises the information included in MSWA's annual report for the year ended 30 June 2019 but does not include the financial report and the 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.

## **Responsibilities of Management and Those Charged with Governance for the Financial Report**

The Board of Directors of MSWA are responsible for the preparation of the financial report that gives a true and fair view in accordance with the basis of preparation described in Note 1 and the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 2015 (WA)* and for such internal control as the Board of 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 Board of Directors are responsible for assessing MSWA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MSWA or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

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

### **Opinion**

We have audited the financial report of MSWA, as required by the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*.

In our opinion:

- (a) The financial report of MSWA has been properly prepared, and the associated records have been properly kept for the year ended 30 June 2019, in accordance with the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*; and
- (b) Funds received as a result of fundraising activities conducted during the year ended 30 June 2019 have been properly accounted for and applied in accordance with the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*;

**Auditor's Responsibilities**

Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising activities pursuant to the *Charitable Collections Act (1946) (WA)* and the *Charitable Collections Regulations (1947) (WA)*.

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

**RSM**

RSM AUSTRALIA PTY LTD

ALASDAIR WHYTE  
DirectorPerth, WA  
Dated: 26 September 2019

# STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>OPERATIONAL ITEMS</b>			
<b>Revenue</b>	4	67,193,618	58,580,213
Research		3,500,000	3,000,000
Prizes		10,299,528	10,365,811
Advertising		3,737,409	2,954,383
Event Expenses		263,187	282,428
Postage & Printing		967,284	1,022,829
Facility Expenses		3,201,442	2,389,858
Finance & Consulting		814,772	782,231
ICT Expenses		811,933	626,768
Staffing Expenses		39,883,153	35,422,874
Other Expenses		1,241,064	1,058,219
<b>Total Expenses</b>		64,719,772	57,905,401
<b>Surplus from operational items</b>	5	2,473,846	674,812
<b>NON-OPERATIONAL ITEMS</b>			
Net loss on financial assets at fair value through profit or loss		(295,389)	-
<b>Income tax expense</b>	3	-	-
<b>Surplus after income tax expense for the year attributable to members of MSWA</b>		2,178,457	674,812
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>		-	-
Net change in fair value of available-for-sale financial assets		-	149,773
<b>Other comprehensive income for the year</b>		-	149,773
<b>Total comprehensive income for the year attributable to members of MSWA</b>		2,178,457	824,585

The accompanying notes form part of these financial statements



# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2019

	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	1,095,144	7,009,051
Trade and other receivables	7	2,287,037	1,865,032
Other current assets	8	4,854,990	5,162,768
Financial assets at amortised cost	9	275,597	3,599,727
<b>Total Current Assets</b>		<b>8,512,768</b>	<b>17,636,578</b>
<b>Non Current Assets</b>			
Financial assets at fair value through profit or loss	9	7,089,820	3,645,797
Property, plant and equipment	10	31,521,601	21,264,384
<b>Total Non Current Assets</b>		<b>38,611,421</b>	<b>24,910,181</b>
<b>Total Assets</b>		<b>47,124,189</b>	<b>42,546,759</b>
<b>Current Liabilities</b>			
Trade and other payables	11	8,604,153	7,155,911
Provisions for research		3,500,000	3,000,000
Employee benefits	12	3,084,157	2,817,457
<b>Total Current Liabilities</b>		<b>15,188,310</b>	<b>12,973,368</b>
<b>Non Current Liabilities</b>			
Employee benefits	12	1,243,113	1,059,082
<b>Total Non Current Liabilities</b>		<b>1,243,113</b>	<b>1,059,082</b>
<b>Total Liabilities</b>		<b>16,431,423</b>	<b>14,032,450</b>
<b>Net Assets</b>		<b>30,692,766</b>	<b>28,514,309</b>
<b>Equity</b>			
<b>Retained Earnings</b>			
Financial Assets Reserve		-	1,249,840
Capital Investment Funds		7,365,417	5,995,684
<b>Restricted funds</b>		<b>7,365,417</b>	<b>7,245,524</b>
<b>Unrestricted funds</b>		<b>23,327,349</b>	<b>21,268,785</b>
<b>Total Equity</b>		<b>30,692,766</b>	<b>28,514,309</b>

The accompanying notes form part of these financial statements



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# STATEMENT OF CHANGES IN EQUITY

## For the Year Ended 30 June 2019

	Fair Value Reserve	Capital Investment Funds	Restricted Funds	Unrestricted Funds	Total
	\$	\$	\$	\$	
<b>Balance at 1 July 2017</b>	1,100,067	5,681,748	6,781,815	20,907,909	27,689,724
Surplus after income tax expense for the year	-	-	-	674,812	674,812
Total other comprehensive income for the year	149,773	-	149,773	-	149,773
<b>Subtotal</b>	149,773	-	149,773	674,812	824,585
Transfer to Capital Investment Funds	-	313,936	313,936	(313,936)	-
<b>Balance at 30 June 2018</b>	1,249,840	5,995,684	7,245,524	21,268,785	28,514,309
<b>Balance at 1 July 2018</b>	1,249,840	5,995,684	7,245,524	21,268,785	28,514,309
Surplus after income tax expense for the year	-	-	-	2,178,457	2,178,457
Change in accounting policy*	(1,249,840)	-	(1,249,840)	1,249,840	-
<b>Subtotal</b>	(1,249,840)	-	(1,249,840)	3,428,297	2,178,457
Transfer to Capital Investment Funds	-	1,369,733	1,369,733	(1,369,733)	-
<b>Balance at 30 June 2019</b>	-	7,365,417	7,365,417	23,327,349	30,692,766

**\*Change in Accounting Policy**

Refer to Note 1 -New, revised or amending Accounting Standards and Interpretations adopted.

The accompanying notes form part of these financial statements



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# STATEMENT OF CASH FLOWS

## For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from fundraising, donations and other income		39,646,815	36,896,958
Grant receipts		27,151,902	21,764,583
Interest received		68,493	225,379
Dividends/distributions received		464,047	369,165
Payments to suppliers and employees		(61,329,919)	(55,751,436)
<b>Net cash flows provided by operating activities</b>	22(b)	6,001,338	3,504,649
<b>Cash Flow from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		1,163,518	1,033,834
Payments for property, plant and equipment		(12,938,062)	(8,191,140)
Proceeds from sale of investments		7,805,797	3,057,072
Payments for investments		(7,946,497)	(3,302,073)
<b>Net cash flows used in investing activities</b>		(11,915,244)	(7,402,307)
<b>Cash Flow from Financing Activities</b>			
<b>Net cash flows from financing activities</b>		-	-
Net decrease in cash and cash equivalents held		(5,913,906)	(3,897,658)
Cash and cash equivalents at the beginning of the financial year		7,009,050	10,906,709
Cash and cash equivalents at the end of the financial year	22(a)	1,095,144	7,009,051

The accompanying notes form part of these financial statements



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

MSWA 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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of MSWA.

The following Accounting Standards and Interpretations are most relevant to MSWA:

#### AASB 9 Financial Instruments

MSWA has adopted AASB 9 Financial Instruments (issued in July 2014) with the mandatory initial application date of 1 July 2018. The requirements of AASB 9 represents a significant change from AASB 139 Financial Instruments: Recognition and Measurement. The nature and effect of the key changes to the MSWA's accounting policies resulting from its adoption of AASB 9 is summarised below.

#### *Classification of financial assets and financial liabilities*

AASB 9 contains three principal classification categories for financial assets: measure at amortised costs, Fair value through other comprehensive income (FVTOCI) and Fair value through profit or loss (FVTPL).

AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale financial assets.

For an explanation of how MSWA classifies and measures the financial assets and accounts for related gains and losses under AASB 9, see note 1 (e)

The adoption of AASB 9 has not had a significant effect on the MSWA's accounting policies for its financial liabilities.

#### *Impairment*

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting

#### New, revised or amending Accounting Standards and Interpretations adopted (Cont)

##### *Transition*

AASB 9 has been adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening Unrestricted Funds as at 1 July 2018 was as follows:

	<b>1 July 2018</b>
Transfer of Fair Value Reserve balance to restricted funds	<u>1,249,840</u>

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application being 1 July 2018.

- The election not to designate certain investments in equity instruments which are not held for trading, as at FVTOCI

##### *Classification of financial assets and financial liabilities on the date of initial application*

The following table shows the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the MSWAs' financial assets and financial liabilities as at 1 July 2018.

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
<b>Financial Assets</b>					
Cash and cash equivalents	6	Cash and Cash Equivalents	Amortised cost	7,009,051	7,009,051
Trade and other receivables	7	Loans and receivables	Amortised cost	1,865,032	1,865,032
Financial assets – current	9	Held-to-maturity investments	Amortised cost	3,599,727	3,599,727
Financial assets non-current	9	Available for sale financial assets	Fair value through profit or loss (a)	3,645,797	3,645,797
<b>Financial Liabilities</b>					
Trade and other payables	11	Amortised cost	Amortised cost	7,155,911	7,155,911

- (a) These equity instruments represent investments that the MSWA holds for the long term for strategic purposes. As permitted by AASB 9, MSWA has not designated these investments at the date of initial application as measured at FVTOCI, as a result they have been classified as FVTPL.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting

#### Basis of Preparation

In the opinion of the Board of Directors, MSWA is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Australian Charities and Not-for-profits Commission Act 2012, the Associations Incorporation Act 2015 (WA), and Charitable Collections Act 1946 (WA) and associated regulations and other professional reporting requirements. The Board of Directors have determined that the accounting policies adopted are appropriate to meet the needs of the members of MSWA.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for not-for-profit oriented entities.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MSWA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### Accounting Policies

##### (a) Revenue

##### (i) Government grants

Government grants are derived from services and programs performed on behalf of the State, Commonwealth and Local governments, whereby MSWA has an obligation to deliver such services and programs. These are reciprocal transactions and are initially recognised in the statement of financial position until the period in which the services are provided, having regard to the stage of completion of activities and targets within each program, as specified in the funding and service contracts. Any grants received for services which have not been performed are recorded as deferred income in the statement of financial position.

Funds or grants that compensate MSWA for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred.

Funds or grants that compensate MSWA for the cost of an asset are recognised in the statement of comprehensive income as other income when the conditions attached to the funds received are substantially satisfied.

##### (ii) Non-government funds

Non-government funds and grant revenue is recognised in the statement of comprehensive income when it is controlled, unless any specific obligations attached to the funds have yet to be performed, when they are then recorded as deferred income in the statement of financial position until such conditions are met or services provided.

##### (iii) Donations, bequests and fundraising income

MSWA's donations and fundraising incomes received apart from raffle income, by their nature, can only be recognised when they are recorded in the books of MSWA. MSWA maintains effective controls over its raffle income, prior to the recording of this revenue in its financial records. Bequests and legacies are brought to account on a cash basis or in the case of bequest and legacies other than cash, according to the value of the bequest or legacy when the ownership passes to MSWA.

##### (iv) Finance income

Finance income comprises interest income on funds invested, dividend and income, managed funds distributions. Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Dividend income and distributions are recognised on the date that MSWA's right to receive payment is established.

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



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (b) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the incorporated association's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, less bank overdrafts if any.

#### (d) Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### (e) Investments and other financial assets

##### *Policy applicable from 1 July 2018*

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and MSWA has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### **Financial assets at fair value through profit or loss**

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (e) Investments and other financial assets (Cont)

*Policy applicable to 1 July 2018 (Cont)*

##### **Impairment of financial assets**

MSWA recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon MSWA's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

##### **Financial liabilities**

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

*Policy applicable to 30 June 2018*

##### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### **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 stated at amortised cost using the effective interest rate method.

##### **Available-for-sale financial assets**

Available-for-sales financial assets 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 equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity under the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

##### **Held-to-maturity investments**

These investments have fixed maturities, and it is MSWA's intention to hold these investments to maturity. Any held-to-maturity investments held by MSWA are stated at amortised cost using the effective interest rate method.



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (e) Investments and other financial assets (Cont.)

*Policy applicable to 30 June 2018 (Cont.)*

#### **Financial liabilities**

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

#### **Impairment**

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively against other entities that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

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

#### (f) Property, Plant and Equipment

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

#### **Property**

Freehold land and buildings are measured on the cost basis.

#### **Plant and Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

#### **Depreciation**

The depreciable amount of buildings, leasehold improvements and plant and equipment is depreciated on a straight line basis, whilst motor vehicles are depreciated using the reducing balance method, so as to depreciate assets over their useful lives to MSWA, commencing from the time an asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2-2.5 %
Leasehold improvements	4-25 %
Plant and Equipment	13-27 %
Motor Vehicles	22.5 %



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (f) Property, Plant and Equipment (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to MSWA. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

#### **Impairment of non-financial assets**

At each reporting date, MSWA reviews the carrying values of its tangible assets (non-financial) to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

No impairment has been recognised for the year ended 30 June 2019.

#### (g) Trade and other payables

These amounts represent liabilities for goods and services provided to MSWA prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (h) Provisions

Provisions are recognised when MSWA 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.

Liabilities relating to research grants are provided for in order to recognise MSWA's obligation to pay grants to external agencies in accordance with funding agreements that commit MSWA to pay these funds per agreed time frames. MSWA has recognised a current liability for research grants payable within the next 12 months, as a provision in the statement of financial position at balance date. Any amounts payable in excess of 12 months, but committed, have been disclosed as a commitment (Note 15).

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (i) Employee Benefits

##### **Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### **Other long-term employee benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

#### (j) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### (k) Donated Assets and Services

Land, plant and equipment and goods received as donations (other than items held for resale) are recognised in the accompanying financial statements at their estimated fair values at the date they are received.

A large number of volunteers have donated significant amounts of their time to MSWA's programs, fundraising campaigns and management. The value of these donated services is not recognised in the accompanying financial statements as no objective basis is available to measure the value of such services.

#### (l) 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 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 expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

#### (m) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation for the current financial year.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 1. Summary of Significant Accounting Policies (Cont.)

#### (n) Fund accounting

On occasions MSWA may receive resources restricted for particular purposes or set aside amounts for designated or special purposes. To facilitate observance of these limitations, the financial statements list separately those funds which are restricted or special purpose and those funds which are unrestricted.

#### **Currently MSWA maintains the following funds:**

##### - Restricted funds which are:-

Those funds presently available for use, but expendable only for operating purposes specified by the donor. In addition, the Board of Directors may designate specific funds, where no purpose has been stated by the original donor, to this fund.

##### - Capital Investment funds which are:-

Funds designated by the Board of Directors, arising from the sale proceeds and interest earned on proceeds, from the former ownership of and investment in retirement villages. These funds are currently designated as funds for future investment as approved by the Board or for future capital expenditure by MSWA at the discretion of the Board of Directors.

##### - Unrestricted funds which are:-

Those funds presently available for use by MSWA at the discretion of the Board of Directors.

#### (o) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by MSWA for the annual reporting period ended 30 June 2019.

### 2. Critical Accounting Judgements, Estimates and Assumptions

The Board evaluates estimates and judgements 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 MSWA.

#### **Impairment of non financial assets**

MSWA assesses impairment on non-financial assets at each reporting date by evaluating conditions specific to MSWA and to the particular assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

No impairment has been recognised for the year ended 30 June 2019.

#### **Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates. No allowance for expensed credit losses has been recognised for the year ended 30 June 2019.

### 3. Income Tax

MSWA is exempt from income tax under the provisions of Section 50-5 of the Income Tax Assessment Act 1997.



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2019

### 4. Operating Revenue

	2019 \$	2018 \$
Operational activities		
Marketing & fundraising income	39,219,188	36,503,653
Government grants	26,263,158	20,399,670
Corporate services – Other	32,020	31,713
Other Income	1,092,194	1,007,663
Non-operational activities		
Corporate services – management fees	-	-
Gain on sale of non-current fixed assets	54,518	42,971
Investment dividends/distributions	464,047	369,165
Interest	68,493	225,378
	67,193,618	58,580,213

MSWA conducts the Mega Home Lottery and car raffles in-house and maintains effective internal controls, prior to the recording of this revenue in its financial records.

### 5. Surplus of the year

The surplus for the year has been determined after:

Profit on sale of property, plant & equipment	28,812	42,971
Depreciation of property, plant & equipment	(1,546,139)	(1,034,754)
Gross salaries and wages expense	(31,176,084)	(29,932,331)

### 6. Cash and Cash Equivalents

Unrestricted:

Cash on hand	7,700	6,600
Cash at bank	413,683	1,285,781
Cash on deposit at approved financial institutions (Note 6(a))	673,761	5,716,670
	1,095,144	7,009,051

(a) Cash on deposit at approved financial institutions of \$673,761 is held as security for the bank guarantees referred to in notes 10 & 22(c).



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 7. Trade and Other Receivables

	2019 \$	2018 \$
<b>Current</b>		
Trade and other receivables	2,217,920	1,629,099
BAS receivable	69,117	235,933
	2,287,037	1,865,032

Trade and other receivable balances are all current.

#### (a) Expected credit loss (2018: Impaired trade receivables)

As at 30 June 2019, no current trade receivables were considered to be credit impaired (2018: \$nil).

#### (b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

### 8. Other Current Assets

Prepayments	55,158	220,255
Inventory - Mega home lottery work in progress	4,799,832	4,942,513
	4,854,990	5,162,768

### 9. Financial Assets

#### Current

Financial assets at amortised cost - Interest bearing deposits and cash held	275,597	-
Held-to-maturity investments - Interest bearing deposits and cash held	-	3,599,727
	275,597	3,599,727

#### Non Current

Financial assets at fair value through profit or loss - units in un-listed unit trusts	7,089,820	-
Available-for-sale financial assets - units in un-listed unit trusts	-	3,645,797
	7,089,820	3,645,797
	7,365,417	7,245,524

The investments in unlisted managed unit trusts are professionally managed investment funds, whose underlying investments are listed equities on Australian and foreign securities exchanges. Redemption values of the units in these trusts are published daily (Note 20(b)).

Financial assets at fair value through profit or loss (2018: Available-for-sale financial assets) are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. If applicable all other financial assets at fair value through profit or loss (2018: Available-for-sale financial assets) are classified as current assets. These assets are restricted.



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 10. Property, Plant and Equipment

	2019 \$	2018 \$
Land and buildings		
Land		
Cost or deemed cost	6,850,339	3,974,939
Buildings		
Cost or deemed cost	22,463,939	15,791,092
	29,314,278	19,766,031
Buildings		
Accumulated depreciation	(2,775,699)	(2,449,877)
	26,538,579	17,316,154
Leasehold Land / Improvements		
Cost	1,315,373	1,235,390
Accumulated depreciation	(727,169)	(444,768)
	588,204	790,622
Plant and equipment		
Cost	5,456,447	3,686,473
Accumulated depreciation	(2,327,538)	(1,624,663)
	3,128,909	2,061,810
Motor Vehicles		
Cost	2,042,447	1,767,894
Accumulated depreciation	(776,538)	(672,096)
	1,265,910	1,095,798
	31,521,601	21,264,384

### Movements in Carrying Amounts

Year to 30 June 2018	Land and Buildings \$	Leasehold Land / Improvements \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
Balance at beginning of year	17,316,154	790,622	2,061,810	1,095,798	21,264,384
Additions	9,548,247	79,983	1,769,974	1,539,858	12,938,062
Disposals / Transfers	-	-	-	(1,134,706)	(1,134,706)
Depreciation expense	(325,822)	(282,401)	(702,875)	(235,041)	(1,546,139)
Carrying amount at end of year	26,538,579	588,204	3,128,909	1,265,909	31,521,601

Land and buildings at Wilson and Norbury Crescent, City Beach (known as the Margaret Doody Respite House), were provided as security to MSWA's banker for bank guarantees in favour of the Department of Racing and Gaming – being security for various lottery and raffle prizes. (refer Note 22(c)).



**WE KNOW NEURO**



# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

	2019 \$	2018 \$
<b>11. Trade and Other Payables</b>		
Creditors and accruals	5,285,166	4,733,629
Creditor for refurbishment fund accounts	70,622	62,661
Deferred income	3,248,365	2,359,621
	8,604,153	7,155,911
<b>12. Employee Benefits</b>		
<b>Current</b>		
Opening balance	2,817,457	2,490,935
Amounts provided for	3,070,705	2,693,014
Amounts used	(2,804,005)	(2,366,492)
	3,084,157	2,817,457
<b>Non Current</b>		
Opening balance	1,059,082	837,917
Amounts provided for	184,031	221,165
	1,243,113	1,059,082
Closing Balance	4,327,270	3,876,539
<b>13. Total Restricted Funds</b>		
Represented by:		
Interest bearing deposits and cash held (note 9)	275,597	3,599,727
Units in unlisted unit trusts (note 9)	7,089,820	3,645,797
	7,365,417	7,245,524
<b>14. Remuneration of Auditors</b>		
During the financial year the following fees were paid or payable for services provided by RSM Australia Pty Ltd, the auditor of MSWA:		
Audit services – RSM Australia Pty Ltd		
Audit of the financial statements	24,000	23,500
	24,000	23,500



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 15. Commitments

Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not later than one year	431,669	569,330
Later than one year but not later than 5 years	1,046,045	997,286

1,477,714	1,566,616
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Research commitments

Not later than one year

Later than one year but not later than 5 years	750,000*	1,000,000
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750,000	1,000,000
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\* A research funding agreement was entered into with the Perron Institute for Neurological and Translational Science on 28 June 2017, a commitment by MSWA for research into MS and Neuroplasticity.

Two contracts have been signed on 06 August 2018 and 14 November 2018 with a building contractor, to build two Mega Home Lottery Grand Prize Houses. The contract value is \$1,958,483 and, at 30 June 2019, work completed amounts to \$743,057, leaving an outstanding capital commitment of \$1,215,426 at that date.

### 16. Contingent Liabilities

In 1997 the Disability Services Commission (DSC), funded the acquisition by MSWA of land at Fern Road, Wilson for the amount of \$221,771 and subsequently, an agreement was entered into with Homeswest to construct 6 units on the land, at an estimated cost to Homeswest of \$533,972. Both organisations have the right to place caveats on the property to secure their interests. Should MSWA seek to dispose of the units, the DSC and Homeswest will both claim their respective share of the proceeds of sale (refer Note 10).

In 2009, the City of Cockburn donated land at 57 Redmond Road, Hamilton Hill, valued at \$565,000 and subsequently a joint venture agreement was entered into with the Department of Housing (DoH), to construct a complex containing 6 high support accommodation units on this land at a cost to DoH of \$729,665. Should MSWA seek to dispose of the complex, the DoH will be entitled to their share of the proceeds of sale (refer Note 10).

In 2014 MSWA entered in to a contract with the Disability Services Commission (DSC), to provide services to people with rapidly degenerating neurological diseases (NCCC Program). The DSC have funded \$550,000 of capital equipment which, at the end of the contract on 31 July 2019, will be required to be handed to the new contractor who may, or may not be, MSWA. The written down value of these assets at 30 June 2019 was Nil.



**WE KNOW NEURO**

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 17. Event Subsequent to Reporting Date

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect MSWA's operations, the results of those operations, or MSWA's state of affairs in future financial years.

### 18. Related Party Information

#### (a) Members of the Board

The names of the members of the Board of Directors who serve in a voluntary capacity and are not remunerated, in office during any part of the year, were:

- Mr George Pampacos, President
- Mr Bill Hassell AM JP, Senior Vice President (Chair of Corporate Governance Committee)
- Ms Ros Harman, Vice President (Chair of Member Services Committee / Chair of Research Committee)
- Mr Horst Bemmerl, Treasurer
- Mr Greg Brindle, (Chair of Fundraising Committee)
- Mr Liam Roche (Chair of Audit and Risk Committee)
- Dr Greg Brotherson (Chair of Bulletin Editorial Committee)
- Prof Bill Carroll AM, Medical Advisor
- Mr David Jones
- Mr Jason Jordon
- Ms Glennys Marsdon
- Mr Michael Fay

#### (b) Transactions with related parties

There were no transactions with related parties.

#### (c) Receivable from and payables to related parties at the current and previous reporting date.

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

#### (d) Loans to/ from related parties

There were no loans to or from related parties at the current and previous reporting date.

### 19. Segment Information

MSWA operates predominantly in one business and geographical segment, being in the support services to enhance the quality of life for people living with multiple sclerosis throughout Western Australia. To provide services, MSWA receives grant funding from the Government of Western Australia through its Disability Services Commission and the Health Department.



WE KNOW NEURO

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 20. Financial Risk Management

The main risks MSWA is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. MSWA does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments.

MSWA's policies for managing each of these risks are summarised below.

#### (a) Interest rate risk

MSWA is exposed to interest rate fluctuations on its cash at bank and cash on deposit. MSWA actively monitors interest rates for cash at bank and cash on deposit to maximise interest. MSWA accepts the risk in relation to fixed interest securities as they are held to generate income on surplus funds.

MSWA's exposure to interest rate risk, which is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates and the effected weighted interest rates on these financial assets and financial liabilities, is as follows:

<b>2019</b>	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non interest Bearing	Total
<b>Financial Assets</b>					
Cash and cash equivalents	1.46%	413,683	673,761	7,700	1,095,144
Trade and other receivables	0.00%	-	-	2,287,037	2,287,037
Financial assets at fair value through profit or loss	0.14%	-	275,597	7,089,820	7,365,417
<b>Total Financial Assets</b>		413,683	949,358	9,384,557	10,747,598
<b>Financial Liabilities</b>					
Trade and other payables	0.00%	-	-	(12,104,153)	(12,104,153)
<b>Total Financial Liabilities</b>		-	-	(12,104,153)	(12,104,153)
<b>Net Financial Assets</b>		413,683	949,358	(2,719,596)	(1,356,555)

<b>2018</b>	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non interest Bearing	Total
<b>Financial Assets</b>					
Cash and cash equivalents	1.92%	1,285,781	5,716,670	6,600	7,009,051
Trade and other receivables	0.00%	-	-	1,865,032	1,865,032
Financial assets held to maturity and available for sale	1.64%	-	3,599,727	3,645,797	7,245,524
<b>Total Financial Assets</b>		1,285,781	9,316,397	5,517,429	16,119,607
<b>Financial Liabilities</b>					
Trade and other payables	0.00%	-	-	(10,155,911)	(10,155,911)
<b>Total Financial Liabilities</b>		-	-	(10,155,911)	(10,155,911)
<b>Net Financial Assets</b>		1,285,781	9,316,397	4,638,482	5,963,696



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# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 20. Financial Risk Management (Cont.)

#### Interest rate sensitivity

At 30 June 2019, if interest rates had changed by  $\pm 1\%$  during the entire year with all other variables held constant, surplus for the year and equity would have been \$13,630 lower/higher. (2018: \$106,022 lower/higher).

2019	Carrying Amount	+1% change Surplus	+1% change Equity	-1% change Surplus	-1% change Equity
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash and cash equivalents	1,087,444	10,874	(10,874)	(10,874)	10,874
Interest bearing deposits and cash held	275,597	2,756	(2,756)	(2,756)	2,756
		13,630	(13,630)	(13,630)	13,630
<b>2018</b>	<b>Carrying Amount</b>	<b>+1% change Surplus</b>	<b>+1% change Equity</b>	<b>-1% change Surplus</b>	<b>-1% change Equity</b>
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash and cash equivalents	7,002,451	70,025	(70,025)	(70,025)	70,025
Interest bearing deposits and cash held	3,599,727	35,997	(35,997)	(35,997)	35,997
		106,022	(106,022)	(106,022)	106,022

#### (b) Price risk

MSWA is exposed to unlisted unit trust index fund price risk. This arises from investments held by MSWA and classified on the statement of financial position as financial assets and correspondingly in the notes as financial asset at fair value through profit or loss (2018: available for sale financial assets). MSWA is not exposed to commodity price risk.

To manage its price risk in these investments, MSWA utilises the services of a professional firm of investment advisors. This organisation initially advised on a diversified portfolio based on the Board's limits, set for its investment funds. The investment advisors monitor and recommend their findings for any changes, additions or further diversification to MSWA's Board for consideration and implementation.

A change in the market value of these investments by  $\pm 5\%$ , with all other variables held constant would have increased (decreased) MSWA's total equity as shown below.

Financial Assets	Carrying amount	+5% change equity	-5% change equity
	\$	\$	\$
Financial assets at fair value through profit or loss (2018: Available-for-sale financial assets)	(7,089,820)	(354,491)	354,491

#### (c) Liquidity risk

MSWA manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

All trade and other payables are payable within one year.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 20. Financial Risk Management (Cont.)

#### (d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowances for expected credit losses (2018: provisions for doubtful debts), as disclosed in the statement of financial position and notes to the financial statements.

MSWA is exposed to credit risk in respect of funds deposited with banks and other financial institutions. Funds are only deposited with those banks and financial institutions approved by the Board.

#### (e) Net Fair Values

The financial assets and liabilities in the statement of financial position are carried at amounts that approximate their net fair values.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

### 21. Fair Value Measurements

MSWA measures and recognises the following assets at fair value on a recurring basis after initial recognition

- Financial assets at fair value through profit or loss  
(2018: Available-for-sale financial assets);

MSWA does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

#### a. Fair Value Hierarchy

Accounting standards require the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 21. Fair value Measurements (Cont.)

#### b. Valuation techniques

MSWA selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by MSWA are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, MSWA gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of MSWA's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2019			
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
<b>Recurring fair value measurements</b>					
Financial assets					
Financial assets at fair value through profit or loss:					
– Units in un-listed unit trust	9	7,089,820	-	-	7,089,820
<b>Total financial assets recognised at fair value</b>		<b>7,089,820</b>	<b>-</b>	<b>-</b>	<b>7,089,820</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 21. Fair value Measurements (Cont.)

		30 June 2018			
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
<b>Recurring fair value measurements</b>					
Financial assets					
Available-for-sale financial assets:					
– Units in un-listed unit trust	9	3,645,797	-	-	3,645,797
<b>Total financial assets recognised at fair value</b>		<b>3,645,797</b>	<b>-</b>	<b>-</b>	<b>3,645,797</b>

### c. Disclosed Fair Value Measurements

- Trade and other receivables
- Trade and other payables

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
<b>Assets</b>				
Trade and other receivables	7	3	Income approach using discounted cash flow methodology	Market interest rates for similar assets
<b>Liabilities</b>				
Trade and other payables	11	3	Income approach using discounted cash flow methodology	Market interest rates for similar liabilities

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.



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# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 30 June 2019

### 22. Cash Flow Information

(a) Reconciliation of cash and cash equivalents

For the purposes of this Cash Flow Statement, cash and cash equivalents includes:

- i) cash on hand, cash at banks and cash in at call deposits with banks or financial institutions, net of bank overdrafts; and
- ii) Investment in money market instruments maturing within less than 3 months.

Cash and cash equivalent at the end of the year is shown in the statement of financial position as:

	2019 \$	2018 \$
Cash on hand and at bank	421,383	1,292,381
Cash on deposits at approved financial institutions	673,761	5,716,670
	<u>1,095,144</u>	<u>7,009,051</u>
(b) Reconciliation of net cash flows provided by operating activities to surplus after income tax		
Surplus after income tax	2,178,457	674,812
Non cash flows		
Depreciation	1,546,139	1,034,754
Net gain on sale of non-current fixed assets	(28,812)	(42,971)
Net (gain) / loss on financial assets at fair value	295,389	-
Net distributions from investments re-invested	(274,582)	(68,936)
Changes in assets and liabilities:		
Change in receivables	(422,005)	(577,135)
Change in other assets	307,778	(428,077)
Change in creditors	1,948,242	2,364,515
Change in provisions	450,732	547,687
	<u>6,001,338</u>	<u>3,504,649</u>

(c) Bank loan facilities

MSWA had access to the following bank facilities at balance date:

Bank Guarantee Facility (100% of Facility used)	4,433,650	4,586,850
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### 23. MSWA Details

The principal place of business of MSWA is at:

MSWA  
29 Parkhill Way,  
Wilson WA 6107



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