

# Poetry in Action Incorporated

## **Financial Statements**

For the year ended 31 December 2016

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# Corporate Information

Your Directors present their report on Poetry in Action Incorporated (the ‘Association’ or the ‘Entity’) for the financial year ended 31 December 2016.

## **Directors**

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

- Mr Phil Offer – Chairman
- Mr Simon Perrot (resigned June 2017)
- Ms Judy Lewis (resigned February 2017)
- Ms Sally Patten
- Mr Bryce Youngman – Public Officer
- Mr Campbell Hudson (appointed August 2016)
- Mr Hazem Shammas

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## **Company Secretary**

Nick Sweeney

## **Charity ABN Details**

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## Auditor's Independence Declaration To the Responsible Entities of Poetry in Action Incorporated

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, as lead auditor for the audit of Poetry in Action Incorporated for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner - Audit & Assurance

Sydney, 25 July 2017

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# Statement of Profit or Loss and Other Comprehensive Income

## For year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue	4	538,128	580,546
Other Income		1,331	1,777
Cost of Sales		(134,093)	(321,652)
Interest Expense		(731)	(1,201)
Employee Benefits Expense		(422,068)	(179,231)
Marketing Expense		(10,277)	(10,593)
Administrative Expense		(78,057)	(63,994)
Depreciation Expense		(3,946)	(5,437)
<b>(Deficit)/Surplus for the year</b>		<b>(109,713)</b>	<b>215</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(109,713)</b>	<b>215</b>

This statement should be read in conjunction with the notes to the financial statements.

# Statement of Financial Position

## As at 31 December 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	6	380,629	209,704
Trade and other receivables	7	11,158	9,706
Total current assets		391,787	219,410
<b>Non-current assets</b>			
Property, plant and equipment	8	4,943	4,607
Total non-current assets		4,943	4,607
Total assets		396,730	224,017
<b>Current liabilities</b>			
Trade and other payables	9	23,995	13,350
Deferred Income	10	393,190	156,071
Provisions	11	35,391	729
Total current liabilities		452,576	170,150
Total liabilities		452,576	170,150
<b>Net assets</b>		<b>(55,846)</b>	<b>53,867</b>
<b>Equity</b>			
Contributed capital		30,119	30,119
Retained earnings		(85,965)	23,748
<b>Total equity</b>		<b>(55,846)</b>	<b>53,867</b>

This statement should be read in conjunction with the notes to the financial statements.

## Statement of Changes in Equity

### For year ended 31 December 2016

	Notes	Share capital \$	Retained earnings \$	Total \$
Balance at 1 January 2015		30,119	23,533	53,652
Surplus for the year		-	215	215
Other comprehensive income for the year		-	-	-
<b>Balance at 31 December 2015</b>		<b>30,119</b>	<b>23,748</b>	<b>53,867</b>
Deficit for the year		-	(109,713)	(109,713)
Other comprehensive income for the year		-	-	-
<b>Balance at 31 December 2016</b>		<b>30,119</b>	<b>(85,965)</b>	<b>(55,846)</b>

This statement should be read in conjunction with the notes to the financial statements.

# Statement of Cash Flows

## For year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		813,857	535,051
Grant income received		12,500	77,000
Interest received		1,333	1,777
Payments to suppliers and employees		(651,751)	(625,901)
Finance cost		(731)	(1,201)
<b>Net cash provided by operating activities</b>	14	<b>175,208</b>	<b>(13,274)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,283)	(795)
<b>Net cash provided by investing activities</b>		<b>(4,283)</b>	<b>(795)</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents held</b>		<b>170,925</b>	<b>(14,069)</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>209,704</b>	<b>223,773</b>
<b>Cash and cash equivalents at end of financial year</b>	6	<b>380,629</b>	<b>209,704</b>

This statement should be read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

## **1 General information and statement of compliance**

The financial report includes the financial statements and notes of Poetry in Action Incorporated (the 'Association').

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. Poetry in Action Incorporated is a not-for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Responsible Entities on 25 July 2017.

## **2 Changes in accounting policies**

### **2.1 New and revised standards that are effective for these financial statements**

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2016. None of the new and revised standards have had a significant impact on the Association. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Association.

## **3 Summary of accounting policies**

### **3.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

### **3.2 Revenue**

Revenue comprises revenue from performances, government grants, donations, membership fees and interest income. Revenue from major products and services is shown in Note 4.

Revenue is measured by reference to the fair value of consideration received or receivable by the Association for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Association's different activities have been met. Details of the activity-specific recognition criteria are described below.

#### **Performance revenue**

Revenue from the sale of performances is recognised only when the performances have been delivered.

#### **Government grants**

A number of the Association's programs are supported by grants received from the federal, state and local governments.

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

Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and deferred at year-end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Association obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the Association receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

#### **Donations**

Donations collected, including cash and goods for resale, are recognised as revenue when the Association gains control, economic benefits are probable and the amount of the donation can be measured reliably.

#### **Membership fees**

Membership fees are recognised when they are paid by the members.

#### **Interest and dividend income**

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

### **3.3 Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

### **3.4 Property, plant and equipment**

#### **Computer, office and touring equipment**

Equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Association's management.

Buildings, plant and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and other equipment. The following useful lives are applied:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Computer equipment:	33%
Office furniture:	33%
Touring equipment:	33%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

### **3.5 Classification and subsequent measurement of financial assets**

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Association's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Associations, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Association.

### **3.6 Income taxes**

No provision for income tax has been raised as the Association is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

### **3.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **3.8 Employee benefits**

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

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

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

The Association's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Association presents employee benefit obligations as current liabilities in the statement of financial position if the Association does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

### **3.9 Provisions, contingent liabilities and contingent assets**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

### **3.10 Deferred income**

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within twelve (12) months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve (12) months after the reporting date or the conditions will only be satisfied more than twelve (12) months after the reporting date, the liability is discounted and presented as non-current.

### **3.11 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. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

### **3.12 Economic dependence**

For the year ended 31 December 2016, Poetry in Action Incorporated incurred a loss of \$109,713 and its current liabilities exceeded current assets by \$60,789, including deferred revenue of \$393,190 relating to government funding and cash received in advance of future performances.

Notwithstanding these factors, the Association generated cash flows from operations for \$175,208 for the 2016 financial year which includes \$172,500 in government funding. An additional amount of \$113,420 is anticipated to be received in September 2017 on the completion of certain key deliverables. At the date of this report the Directors have no reason to believe that this financial support will not continue.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities by the company and the realisation of assets and settlement of liabilities in the ordinary course of business at amounts stated in this financial report.

### **3.13 Significant management judgement in applying accounting policies**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

#### **Long service leave**

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### 4 Revenue

	2016 \$	2015 \$
<b>Operating activities</b>		
Sales	502,323	456,736
Donations	12,435	40,000
Government grants funding	12,500	77,000
Creative projects income	10,870	6,800
Membership fees collected	-	10
	<b>538,128</b>	<b>580,546</b>

#### 5 Result for the year

The result for the year has been arrived at after charging the following items:

	2016 \$	2015
Rental expense	10,247	11,165
Depreciation expense	3,946	5,437

#### 6 Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank and in hand	134,130	49,283
Short-term bank deposits	246,499	160,421
	<b>380,629</b>	<b>209,704</b>

#### 7 Trade and other receivables

	2016 \$	2015 \$
Trade receivables	11,338	6,198
Provision for doubtful debts	(1,700)	-
Other receivables	-	3,508
Undeposited funds	1,520	-
	<b>11,158</b>	<b>9,706</b>

## 8 Property, plant and equipment

Details of the Association's property, plant and equipment and their carrying amount are as follows:

	Computer Equipment \$'000	Office Furniture \$'000	Touring Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance 1 January 2016	7,872	11,134	320	19,326
Additions	4,283	-	-	4,283
Disposals	-	-	-	-
Balance 31 December 2016	12,155	11,134	320	23,609
<b>Depreciation</b>				
Balance 1 January 2016	6,714	7,899	107	14,720
Disposals	-	-	-	-
Depreciation	1,158	2,788	-	3,946
Balance 31 December 2016	7,872	10,687	107	18,666
<b>Carrying amount 31 December 2016</b>	<b>4,283</b>	<b>447</b>	<b>213</b>	<b>4,943</b>

## 9 Trade and other payables

	2016 \$	2015 \$
Trade payables	-	943
Other creditors and accrued expenses	3,575	4,571
GST payable	12,220	-
Superannuation payable	8,200	7,836
	<b>23,995</b>	<b>13,350</b>

## 10 Deferred income

	2016 \$	2015 \$
Deposits for future services	219,080	156,071
Catalyst Grant	174,110	-
	<b>393,190</b>	<b>156,071</b>

## 11 Provisions

	2016 \$	2015 \$
<b>Current</b>		
Annual leave	15,652	729
Long service leave	19,739	-
	<b>35,391</b>	<b>729</b>

## 12 Related party transactions

The Association's related parties include its key management personnel, Committee members and related entities. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. The Committee members may provide personal donations to the Association.

### 12.1 Transactions with key management personnel

Key management of the Association are the Committee Members of Poetry in Action Incorporated. Key management personnel remuneration includes the following expenses:

	2016 \$	2015 \$
Total key management personnel remuneration	108,465	69,519

## 13 Contingent assets and contingent liabilities

The Association has no contingent assets.

The Association has occupied an office space located at 91 Canal Road, Lilyfield since 13<sup>th</sup> November 2007 under a license agreement with Legs on the Wall Inc. The original license was for a period of two years with an end date of 13<sup>th</sup> November 2009. The license has not been formally renewed since the end dates and therefore the agreement to occupy the office space has proceeded on a month-to-month basis.

Under the terms of the original licence, upon vacating the premises, the Association must make good any damage caused to the premises. It is expected that some superficial repairs will be required to restore the premises to the original condition at the inception of the licence agreement. However, given their nature, a reliable cost estimate of the repairs has not been determined by the Committee as at the reporting date and therefore a provision has not been recognised in the financial statements as at that date.

## 14 Cash flow information

	2016 \$	2015 \$
<b>a Reconciliation of cash flow from operations with (deficit)/surplus</b>		
(Deficit) / Surplus	(109,713)	215
Non-cash flows in (deficit) / surplus:		
• depreciation and amortisation	3,946	5,437
Changes in assets and liabilities:		
• (Decrease) / increase in trade and other receivables	(1,451)	2,279
• Decrease / (increase) in trade and other payables	10,645	(805)
• Decrease / (increase) in unearned income	237,119	(21,129)
• Decrease in employee benefits	34,662	729
<b>Net cash provided by / (used in) operating activities</b>	<b>175,208</b>	<b>(13,274)</b>

**15 Events after the reporting date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Association, the results of those operations, or the state of affairs of the Association in future financial years.

**16 Association details**

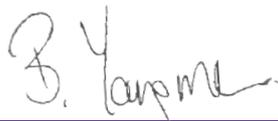
The registered office and charity street address of the Association is:

91 Canal Road  
Lilyfield NSW 2040

## Responsible Entities' Declaration

1. In the opinion of the Directors (Responsible Entities) of Poetry in Action Incorporated:
  - a. The financial statements and notes of Poetry in Action Incorporated are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
    - i. Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and
    - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and
  - b. There are reasonable grounds to believe that Poetry in Action Incorporated will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Responsible Entities:



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Responsible Entity  
Bryce Youngman

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## Independent Auditor's Report To the Members of Poetry in Action Incorporated

### Report on the Audit of the Financial Report Auditor's Opinion

We have audited the accompanying financial report of Poetry in Action Incorporated (the "Registered Entity"), which comprises the statement of financial position as at 31 December 2016, and 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 Responsible Entities' declaration.

In our opinion, the financial report of Poetry in Action Incorporated has been prepared in accordance with the Incorporated Associations Act (NSW) 2009 and Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act), including:

- a giving a true and fair view of the Registered Entity's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

### Basis for Auditor's Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

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**Responsibilities of the Responsible Entities for the Financial Report**

The Directors of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Registered Entity'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 the Directors either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Registered Entity's financial reporting process.

**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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner - Audit & Assurance

Sydney, 25 July 2017