

ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTOR'S REPORT

Your directors present this report on the entity for the financial year ended 30 June 2018.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Qualifications, Experience and Special Responsibilities

Frederick Woods	Director since 1996	Self-employed; over twenty years management experience both within the disability field and mainstream manufacturing. Special responsibilities as employee advocate on the Board.
Clive Lavery	Director since 1997	Business Consultant; twenty years senior management experience in commerce and manufacturing.
Trevor White	Director since 2003	Bachelor Commerce (Accounting and Financial Management), Master Business Administration. Fifteen years experience in Managing Director and General Management positions in multi-site, industrial product businesses with operations throughout Australia, NZ and SE Asia.
David McMillan	Director since 2010	Director of McMillan Property Advisory P/L, property advisers to buyers and sellers. Director of Aldig Contracting P/L, civil excavation and contracting. David is a former Registered Building Contractor.
Pauline O'Brien	Director since Nov 2015, resigned Dec 2017	Over 30 years marketing experience across the not for profit, arts and culture and tertiary sectors including roles at Amnesty International and Breakthrough Breast Cancer in London and Melbourne Theatre Company, the Wheeler Centre and Victoria University in Melbourne. Currently working in marketing at Monash University and holds a Bachelor of Arts degree and a Masters of Business (Marketing).
Caroline Evans	Director since Nov 2017	Caroline is currently CEO, of the Yarra Valley Winegrowers Association and joined the Board in November 2017. Caroline brings 22 years of marketing, financial, manufacturing, business strategy and governance experience to the Board. Her former roles have included CEO, Yarra Valley Dairy and sales, marketing and communications management roles. She has completed the Australian Institute of Company Directors course and is on the Ability Works Audit &

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		Risk management committee
James Edmonds	Director since Nov 2017	As Managing Director of Rogers Seller & Myhill Pty. Ltd, James brings commercial strengths of strategy & innovation, marketing and logistics expertise to the Board. James joined the Board in Nov 2017 and is using his expertise to assist the organisation build a unique strategic proposition.
Russell Jones	Director since Nov 2017	Russell is currently General Manager, People & Safety at MEGT Ltd, a not for profit organisation that supports apprentices, jobseekers and students, by providing employment, training and education solutions. Russell's former roles include Human Resources Management at Wesley Mission, City of Boroondara, City of Casey and Box Hill Hospital over 20 years. Russell's greatest strengths are in human resource management and risk management and is currently on the Ability Works Audit & Risk Management committee.
Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.		

Principal Activities

The principal activity of the entity during the financial year was the provision of employment to people living with disabilities and those socially excluded.

There was no significant change in the nature of the company's principle activities during the financial year.

Short-term and Long-term Objectives

The entity's short-term objectives

The provision of employment to people living with disabilities and those socially excluded.

The entity's long-term objectives

Expand the provision of employment to people living with disabilities and those socially excluded to discover their potential and enhance their lives.

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Strategies

To achieve its stated objectives, the company has adopted the following strategies for the next 2 years:

1. Promote the work of AWA and be an advocate for our employees within the Victorian community.
2. Diversify and build income using government support for social procurement initiatives for employing people with a disability and funding from corporates, foundations and individuals.
3. Build an integrated relationship management approach, for current clients, prospects and employees.
4. Build the internal infrastructure, systems and processes to enable scale 2 years hence.

The organization will also continue to maintain appropriate quality accreditation; including Disability Services Standards whilst maintaining a continuous improvement focus.

Maintain a strong corporate governance framework.

Value Proposition – for Employees (living with disability & those socially excluded)

1. Special commitment to providing opportunities for those who present with high or complex support needs (including those excluded from other disability enterprises (key point of difference))
2. Proven record of providing employment, training, social connections and purpose for our employees
3. Varied and interesting work opportunities, tailored to meet individual needs and underpinned by specialist supervisory, training and support staff, helping to build real skills and assist with transition to open employment where appropriate

Value Proposition – for Customers

1. Partnering with Ability Works buys social credit (key point of difference)
2. Proven record of invention and ingenuity, tailoring commercial solutions for clients
3. Deliver timely, quality outcomes at commercially competitive prices

Key Performance Measures

The company measures its own performance through the use of both quantitative and qualitative benchmarks. These benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short-term and long-term objectives are being achieved.

Develop a financially robust business that generates sustained benefits to all stakeholders.

The profit of the company for the financial year amounted to \$38,388 (2017: profit of \$152,593).

The operating deficit before abnormals, investment and additional income is (\$ 3,666); (2017: surplus of \$106,350).

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The Board has approved an operating budget surplus of \$177,208 before investment income for 2018/19, with equal emphasis on sales growth; the provision of additional working days for supported employees and profitability.

Despite the on-going uncertainty associated with the long running and yet to be defined mandated wage tool for supported employees or for that matter its planned implementation date, the organization continues to work diligently to place itself in the best position to meet the anticipated financial challenge. A retained earnings policy has been developed to ensure there are funds available to manage any outcome.

A sustained period of profitability and renewed emphasis on increasing independent sources of income, particularly via sales growth and business expansion, are salient to this placement.

Despite the challenges of the National Disability Insurance Scheme (NDIS) Ability Works Australia, is well placed through its systems, management structure and commercial orientation to successfully navigate these uncharted waters.

Long term sustainability

The focus over the next 2 years is to build a solid foundation for significant growth 3 years hence. Ability Works will be focusing on growth from two business units namely Wire and Metal Fabrication and Digital Technology. It is anticipated the largest growth will be from wire and metal fabrication for 3 reasons.

1. Our competitor research indicates there is no other disability or social enterprise that provides the depth of services that Ability Works provides.
2. The Victorian government is leveraging its significant buying power and requiring social procurement from government departments and corporates in everyday purchasing activity.
3. The 2017/18 Vic Govt Budget invests an average of \$9.6 billion in infrastructure development annually over the next four years where our wire and metal fabrication facility will be in a unique position for government and corporate social procurement spend. As an example the Level Crossing Removals project in Vic had a 3% social procurement spend requirement.

Ability Works has identified a range of wire and metal products it can manufacture for infrastructure projects and more importantly ongoing maintenance works for Vic Road and Rail projects.

The Digital Technology service unit can potentially provide the services of software testing, data scanning and data entry.

A conservative estimate of an additional net 8 per annum NDIS funded employees has been made for the next 2 years. This should increase to a minimum of 10 plus per annum in subsequent years. Socially excluded employees, will be employed on a needs and project basis, with numbers depending on specific project requirements. There will be an increased focus on recruiting younger employees via schools and special schools in a 20 km radius of Ability Works.

OH&S practices are closely monitored by the Board to gauge level of continuous improvement, including a regular third-party audit of these practices.

Nil LTI* recorded in 2018 (2017; nil)

* Lost Time Injury (LTI) is defined as one complete day's absence from work.

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Maintain appropriate quality accreditation; including National Standards for Disability Services whilst maintaining a continuous improvement focus.

The annual surveillance audit against ISO Standards (we were upgraded from series 9001:2008 to 9001:2015) and NSDS 2013 (National Standards for Disability Services) certification was successfully undertaken during the first half of 2018. The audit report from SAI Global highlighted the focus and commitment that the organisation has to the well-being of its employee cohort across all facets of its operations as demonstrated through work practices that provide a safe, engaging and fulfilling work environment.

Maintain a strong corporate governance framework.

The Board carries out its responsibilities through a policy governance framework which clearly identifies its role and responsibilities; it's interactions with and the limitations placed upon the Chief Executive in managing the organisation and to achieve the Board's approved outcomes.

The Board has an established risk management program which it monitors monthly, reviews and ensures changes as required.

Meetings of Directors

During the financial year, eleven (11) meetings of directors were held. Attendances by each director were as follows:

Name of Director	Number Attended	Number Eligible to Attend
Frederick Woods	10	11
Clive Lavery	8	11
Trevor White	7	10
David McMillan	10	11
Caroline Evans	3	7
James Edmonds	7	8
Russell Jones	5	7
Pauline O'Brien	3	4

Contributions on Winding Up

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding

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obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the company is wound up is \$160 (2017: \$160).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 9 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'D. McMillan', with a long horizontal line extending to the right.

DAVID McMILLAN
Director

Dated this 20th day of August 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Ability Works Australia Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Australian professional accounting bodies; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA PARTNERS****P A RANSOM**

Partner

Dated: 20 August 2018
Melbourne, Victoria

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue from continuing activities			
Sales revenue		1,110,647	1,084,851
Other operating revenue:			
Increment in investments		42,054	46,243
Government subsidies received		1,493,735	1,591,941
Other revenue		302	17,064
		<u>2,646,738</u>	<u>2,740,097</u>
Expenses from continuing activities			
Raw materials and consumables used		(136,836)	(153,506)
Employee benefits expense		(1,920,022)	(1,887,063)
Depreciation and amortisation expense		(40,002)	(37,423)
Occupancy and outgoings		(62,631)	(61,597)
Other expenses	2	(448,859)	(447,915)
Profit/(loss) before income tax		<u>38,388</u>	<u>152,593</u>
Profit/(loss) for the year	3	<u><u>38,388</u></u>	<u><u>152,593</u></u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>38,388</u>	<u>152,593</u>
Total comprehensive income attributable to members of the entity		<u><u>38,388</u></u>	<u><u>152,593</u></u>

The accompanying notes form part of these Financial Statements

ABILITY WORKS AUSTRALIA LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018	2017
Current Assets		\$	\$
Cash and cash equivalents	4	2,080,394	2,257,291
Trade and other receivables	5	254,545	175,350
Inventories	6	122,132	57,415
Other assets	7	5,435	8,198
Total Current Assets		<u>2,462,506</u>	<u>2,498,255</u>
Non- Current Assets			
Plant and equipment	8	85,114	110,715
Intangible assets	9	36,415	36,415
Total Non- Current Assets		<u>121,529</u>	<u>147,130</u>
Total Assets		<u>2,584,034</u>	<u>2,645,385</u>
Current Liabilities			
Trade and other payables	10	185,938	310,613
Provisions	11	469,953	446,686
Total Current Liabilities		<u>655,891</u>	<u>757,299</u>
Non- Current Liabilities			
Provisions	11	13,177	11,509
Total Non- Current Liabilities		<u>13,177</u>	<u>11,509</u>
Total Liabilities		<u>669,068</u>	<u>768,807</u>
Net Assets		<u>1,914,966</u>	<u>1,876,578</u>
Members' Funds			
Retained members' funds		1,914,966	1,876,578
Total Members' Funds		<u>1,914,966</u>	<u>1,876,578</u>

The accompanying notes form part of these Financial Statements

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018	2017
		\$	\$
Total members' funds at the beginning of the year		1,876,578	1,723,985
Profit/(loss) for the year		38,388	152,593
Total other comprehensive income for the year		-	-
Total members' funds at the end of the year		<u>1,914,966</u>	<u>1,876,578</u>

The accompanying notes form part of these Financial Statements

ABILITY WORKS AUSTRALIA LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,031,754	1,071,019
Government funding		1,493,735	1,591,941
Interest received		42,056	46,243
Payments to suppliers and employees		(2,730,041)	(2,418,573)
Net cash(used in)/ provided by operating activities	12(b)	<u>(162,496)</u>	<u>290,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		-	50
Payment for plant and equipment		(14,401)	(68,116)
Net cash used in investing activities		<u>(14,401)</u>	<u>(68,066)</u>
Net increase/(decrease) in cash and cash equivalents held		(176,897)	222,564
Cash and cash equivalents at beginning of year		2,257,291	2,034,727
Cash and cash equivalents at end of year	12(a)	<u><u>2,080,394</u></u>	<u><u>2,257,291</u></u>

The accompanying notes form part of these Financial Statements

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DIRECTORS DECLARATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012 ("ACNC Act"). The company is a not-for-profit entity, limited by guarantee for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 20th August 2018 by the directors of the company.

Accounting Policies

(a) Revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

Revenue from the rendering of a service and the sale of goods is recognised upon the delivery of the service or goods to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(b) Income Tax

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

(c) Inventories

Inventories are valued at lower of cost and net realisable value. Cost of purchased inventory is determined on a first-in first-out basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Plant and Equipment

Plant and equipment is measured on the cost basis and is therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

(e) Impairment of Assets

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

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

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

(f) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation Rate
Office Equipment	20%
Plant and Equipment	10%
Motor Vehicles	20%
Computer Equipment	40%
Leasehold Improvements	20%

(g) Employee Benefits

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

Contributions are made by the company to various nominated superannuation funds and are charged as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Membership and Guarantee

The company is limited by guarantee and does not have a share capital. Pursuant to the company's Articles of Association members are liable to a maximum of \$10 in the event of winding up.

(i) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Financial Instruments

Initial Recognition and Measurement

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

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in fair value (i.e. gains or losses) being recognised in profit or loss.

ii. Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Financial Instruments (Cont)

iii. Held-to-maturity investments

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

iv. Financial liabilities

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

Impairment

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing or financing activities which are recoverable from, or payable to, the ATO, are presented as operating cash flows included in receipts from customers or payment to suppliers.

(l) Leases

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

(m) Provisions

Provisions are recognised when the entity 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. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Intangibles

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually and is allocated to the company's cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment.

(o) Comparative Figures

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

(p) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Key estimates and judgments are explained in Note 1(f), 1(g) and 1(j).

(r) Economic Dependence

Ability Works Australia Ltd is dependent on the Department of Social Services for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Department will not continue to support Ability Works Australia Ltd.

(s) New and Revised Accounting Standards and Interpretations

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(t) Fair Value Measurement

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

The company did not measure any of its assets and liabilities at fair value on either a recurring or non-recurring basis, during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
2. OTHER EXPENSES		
Cleaning & related consumables	48,337	46,712
Audit & accounting fees	16,530	22,050
Electricity & utilities	32,100	38,604
Kitchen food costs	12,328	10,377
Repairs & maintenance	18,201	20,195
Consultants fees	29,285	17,235
Information technology	52,938	65,617
Other expenses	239,141	227,126
	<u>448,859</u>	<u>447,915</u>
 3. PROFIT/(LOSS) FOR THE YEAR		
Expenses		
Depreciation and amortisation:		
- plant and equipment	28,346	28,648
- Leasehold Improvements	11,655	8,775
	<u>40,001</u>	<u>37,423</u>
 Remuneration of auditor:		
- audit or review	<u>16,300</u>	<u>16,300</u>
 Employee benefits expense:		
- superannuation	<u>150,922</u>	<u>156,316</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
4. CASH AND CASH EQUIVALENTS		
Cash on hand	500	500
Cash at bank	228,857	452,614
Deposits (at call)	1,851,037	1,804,177
	<u>2,080,394</u>	<u>2,257,291</u>
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	193,343	156,090
Other receivables	61,202	19,260
Less provision for impairment	-	-
	<u>254,545</u>	<u>175,350</u>
6. INVENTORIES		
Raw materials	75,008	42,437
Work in progress	-	309
Finished goods	47,124	14,669
	<u>122,132</u>	<u>57,415</u>
7. OTHER ASSETS		
Prepayments	<u>5,435</u>	<u>8,198</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
8. PLANT AND EQUIPMENT		
Plant and equipment	957,062	942,662
Less accumulated depreciation	<u>(877,648)</u>	<u>(849,302)</u>
	<u>79,414</u>	<u>93,360</u>
 Leasehold improvements	 343,493	 343,493
Less accumulated depreciation	<u>(337,793)</u>	<u>(326,138)</u>
	<u>5,700</u>	<u>17,355</u>
	<u>85,114</u>	<u>110,715</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
2018			
Balance at the beginning of the year	93,360	17,355	110,715
Additions	14,401		14,401
Disposals	-	-	-
Depreciation and amortisation expense	<u>(28,346)</u>	<u>(11,655)</u>	<u>(40,001)</u>
Carrying amount at the end of the year	<u>79,414</u>	<u>5,700</u>	<u>85,114</u>

ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
9. INTANGIBLE ASSETS		
Goodwill	<u>36,415</u>	<u>36,415</u>

	2018	2017
	\$	\$
10. TRADE AND OTHER PAYABLES		
Trade payables	60,182	61,549
Accrued expenses	66,548	161,587
GST payable	27,990	51,291
Other payables	31,218	36,187
	<u>185,938</u>	<u>310,613</u>

11. PROVISIONS

Current

Employee benefits - annual leave	157,778	138,188
Employee benefits - long service leave	312,174	308,497
	<u>469,953</u>	<u>446,686</u>

Non- Current

Employee benefits - long service leave	<u>13,177</u>	<u>11,509</u>
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Aggregate employee benefits	<u>483,129</u>	<u>458,194</u>
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ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
12. CASH FLOW INFORMATION		
(a) Reconciliation of cash:		
Cash and cash equivalents	<u>2,080,394</u>	<u>2,257,291</u>
 (b) Reconciliation of cashflow from operations with profit after income tax:		
Profit/(loss) for the year from ordinary activities	38,388	152,593
 Non cash flows from ordinary activities:		
Depreciation and amortisation	40,002	37,423
 Changes in assets and liabilities:		
(Increase)/ decrease in trade and other receivables	(79,195)	(30,845)
(Increase)/ decrease in inventories	(64,717)	14,506
(Increase)/ decrease in other assets	2,764	14,308
(Decrease)/increase in trade and other payables	(124,675)	82,561
(Decrease)/increase in provisions	24,935	20,085
Net cash (outflow) / inflow from operating activities	<u>(162,498)</u>	<u>290,630</u>

13. CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements.

Payable – minimum lease payments:

- not later than 12 months	39,276 ^a	71,196
- later than 12 months but not later than five years	6,212	46,418
	<u>45,488</u>	<u>117,615</u>

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements. Increase in lease commitments may occur in line with the consumer price index (CPI).

ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any contingent liabilities or contingent assets which require disclosure in the financial report.

15. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period that would require comment on or adjustment to the information contained in this report.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	2018	2017
	\$	\$
Total Benefits	<u>555,625</u>	<u>517,721</u>

The directors receive no remuneration from the company.

**ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

17. OTHER RELATED PARTY TRANSACTIONS

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

For details of disclosures relating to key management personnel, refer to Note 16. During the year there were no other related party transactions.

18. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables we assumed to approximate their fair value due to their short-term nature.

19. COMPANY DETAILS

The registered office and principal place of business is:
Ability Works Australia Ltd
1 Yarra Blvd
KEW VIC 3101

ABILITY WORKS AUSTRALIA LTD
ACN 075 933 612
DIRECTORS DECLARATION

Directors' Declaration

In accordance with a resolution of the directors of Ability Works Australia Ltd, the directors of the entity declare that:

1. The financial statements and notes, as set out on pages 10 to 26, are in accordance with *the Australian Charities and Not-for-profits Commission Act 2012* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.



DAVID McMILLAN
Director

Dated this 20th day of August 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT To the Members of Ability Works Australia Ltd

Opinion

We have audited the financial report of Ability Works Australia Ltd, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other 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 directors' declaration.

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

- (a) giving a true and fair view of the registered entity's financial position as at 30 June 2018 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for Opinion

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

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Ability Works Australia Ltd's annual report for the year ended 30 June 2018 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 directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards- Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing Ability Works Australia Ltd'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 Ability Works Australia Ltd 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. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



P A RANSOM
Partner

Dated: 22 August 2018
Melbourne, Victoria