AbilityOptions

ABILITY OPTIONS LIMITED

(ABN 92 003 175 335)

AND

ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2019

Contents

The Directors of Ability Options Limited and its Controlled Entities are:

Director	Appointed	Resigned
Jonathan Isaacs	October 2014	
Richard Mossie	December 2000	
David Bamford OAM	February 2006	
Michael Maxwell	April 2014	
Patricia Biszewski	February 2017	
Sue Healy	February 2017	
Heather Scheibenstock	February 2017	
Robert Lang	June 2019	
Owen Gilbert	July 2019	
Claire Cavanaugh	April 2019	
Nola Buck	September 2002	November 2018
Mark Twomey	February 2018	February 2019

Registered street address and principal place of business

The registered street address of the entity is:

Ability Options Limited

Suite 1.14, The Versatile Building

29 – 31 Lexington Drive, BELLA VISTA NSW 2153

Auditor

Grant Thornton Audit Pty Limited

Level 17,383 Kent Street

Sydney NSW 2000

ABN

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Auditor's Independence Declaration

To the Responsible Entities of Ability Options Limited

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Archer

A J Archer
Partner – Audit & Assurance

Sydney, 26 September 2019

The Directors of Ability Options Limited (the "Company") declare that:

1. The consolidated financial statements and notes of Ability Options Limited, are in accordance with the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
   (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013* ;
   (b) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, for the year ended on that date; and
2. In the Directors' opinion there are reasonable grounds to believe that the Group is able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

SIGNED and DATED at Bella Vista on 26 September 2019

Jonathan Isaacs – Chair and Director

Richard Mossie – Director

For the year ended 30 June 2019

in AUD	NOTE	2019	2018
Income			
Revenue from ordinary activities	2	95,613,991	81,459,334
Interest Income		43,896	97,787
Total income		**95,657,887**	**81,557,121**
Costs and Expenses			
Employee benefits		(71,731,805)	(64,529,092)
Depreciation	5	(2,026,764)	(1,622,002)
Occupancy and accommodation		(3,293,207)	(2,667,309)
Other expenses	7	(16,059,623)	(16,319,733)
Total expenses		**(93,111,399)**	**(85,138,136)**
Net surplus / (deficit) from ordinary activities		**2,546,488**	**(3,581,015)**
Other comprehensive income			
Actuarial gain/(loss) on defined benefit superannuation plans	17	141,869	(311,049)
Total other comprehensive income / (loss)		**141,869**	**(311,049)**
Total comprehensive surplus / (defict)		**2,688,357**	**(3,892,064)**

As at 30 June 2019

in AUD	NOTE	2019	2018
Current Assets			
Cash and cash equivalents	11	13,659,399	10,153,679
Trade and other receivables	4	4,320,750	2,671,041
Prepayments and other assets	6	3,388,241	1,495,228
Total current assets		**21,368,390**	**14,319,948**
Non-Current Assets			
Other receivables	6	101,431	126,789
Property, plant & equipment	5	14,622,010	15,026,422
Total non-current assets		**14,723,441**	**15,153,211**
Total Assets		**36,091,831**	**29,473,159**
Current Liabilities			
Trade and other payables	8	15,071,469	11,448,244
Provisions	9	5,342,562	4,492,061
Other liabilities		65,382	103,168
Total current liabilities		**20,479,413**	**16,043,473**
Non-Current Liabilities			
Provisions	9	1,117,104	1,557,349
Other liabilities		115,896	181,276
Total non-current liabilities		**1,233,000**	**1,738,625**
Total Liabilities		**21,712,413**	**17,782,098**
Net Assets		**14,379,418**	**11,691,061**
Accumulated funds	12	11,130,996	8,584,508
Reserves		3,248,422	3,106,553
Total Funds		**14,379,418**	**11,691,061**

For the year ended 30 June 2019

in AUD	NOTE	Accumulated Funds	Reserves	Total
Balance at 30 June 2017	12	**12,165,523**	**3,417,602**	**15,583,125**
Defined benefit superannuation plans reserves		-	(311,049)	(311,049)
Net deficit for the year		(3,581,015)	-	(3,581,015)
Balance at 30 June 2018	12	**8,584,508**	**3,106,553**	**11,691,061**
Defined benefit superannuation plans reserves		-	141,869	141,869
Net surplus for the year		2,546,488	-	2,546,488
Balance at 30 June 2019	12	**11,130,996**	**3,248,422**	**14,379,418**

For the year ended 30 June 2019

in AUD	NOTE	2019	2018
Cash Flows from Operating Activities			
Receipts from operations		91,180,324	80,777,645
Payments to suppliers & employees		(86,189,361)	(80,529,830)
Interest income		43,896	97,787
Net cash from operating activities	11	**5,034,859**	**345,602**
Cash Flows from Investing Activities			
Payments for property plant and equipment		(2,473,445)	(2,938,962)
Proceeds from the sale of assets		944,306	24,577
Contribution through integration		-	1,734,412
Net cash used in by investing activities		**(1,529,139)**	**(1,179,973)**
Net increase / (decrease) in cash held		3,505,720	(834,371)
Cash at beginning of the financial year		10,153,679	10,988,050
Cash at end of the financial year	11	**13,659,399**	**10,153,679**

1) Summary of Significant Accounting Policies

Ability Options Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its controlled entities (together referred to as the "Group").

The Company is registered as a charity with the Australian Charities and Not-for-profits Commission.

The financial report of the Company and its controlled entities for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 26 September 2019.

a) Basis of Presentation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, and the *Australian Charities and Not-for-profits Commission Act 2012*.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The consolidated 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.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial statements.

b) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Ability Options Limited as at 30 June 2019 and the results of the subsidiaries for the year then ended.

Ability Options Limited and its subsidiaries are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income*, *Statement of Financial Position* and *Statement of Changes in Equity* of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

1) Summary of Significant Accounting Policies (continued)

b) Basis of Consolidation (continued)

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Joint Operation

The Group is involved in joint operation of Hunter Valley Disability Services Limited and its wholly owned subsidiary, Hunter Valley Transfer Limited. It is a joint venture in which the Group has joint control and a 33% ownership interest. HVDS is a Not-for-Profit company limited by guarantee.

HVDS is structured as a separate vehicle and the Group has a residual interest in the net assets of HVDS. In accordance with the member's agreement under which HVDS is established, the Group and other members in the joint venture have agreed to make additional contributions in proportions of their interest to make up any losses if required. This unrealized commitment has not been recognized in these consolidated financial statements.

The Group shows its share of income, expenses and net assets in its consolidated financial statements in proportion of its economic interest.

c) Revenue Recognition

Revenue comprises revenue from the government grants, NDIS revenue and other service revenue, Fees, sale of goods, fundraising activities and client contributions.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided.

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 Company's different activities have been met. Details of the activity-specific recognition criteria are described below.

1) Summary of Significant Accounting Policies (continued)

c) Revenue Recognition (continued)

Government grants

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

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

Client contributions, NDIS revenue and other service revenue

Fees charged for care or services provided to clients are recognised when the service is provided.

Donations and bequests

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

Bequests are recognised when the legacy is received. Revenue from legacies comprising bequest assets is recognised at fair value, being the market value of the asset at the date the Group becomes legally entitled to the asset.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

In-kind donations

No amounts are included in the financial statements for services donated by volunteers or amounts provided to the Group at no cost, unless the fair value of the contributions can be reliably measured.

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

d) Employee Entitlements

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount plus related on-costs. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions to employee superannuation funds are charged against the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* as an expense when incurred.

1) Summary of Significant Accounting Policies (continued)

e) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposit that were previously classified as held-to-maturity under AASB 139.

1) Summary of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Subsequent measurement financial assets (continued)

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than ‘hold to collect’ or ‘hold to collect and sell’ are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Impairment of Financial assets

AASB 9’s impairment requirements use more forward looking information to recognize expected credit losses - the ‘expected credit losses (ECL) model’. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

1) Summary of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Subsequent measurement financial assets (continued)

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. For non-government debts, the Group allows 50% for amounts that are 60 to 90 days past due and 100% for amounts that are greater than 90 days past due. For government related debtors, Group allows 50% for amount that are 180-365 days past due and 100% that are greater than 365 days past due. All debt write offs are approved by the board or as delegated within the board approved delegation policy.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

f) Property, Plant & Equipment

Furniture and fittings, equipment and motor vehicles in excess of $1,000 are capitalised at cost and depreciated over their estimated useful life.

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses. Plant and equipment is measured on the cost basis less depreciation and impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(E) for details of impairment).

1) Summary of Significant Accounting Policies (continued)

f) Property, Plant & Equipment (continued)

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life. 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 depreciable assets based on its useful lives are:

Class of Fixed Asset	Useful life
Buildings	50 years
Buildings - Internal Fitout	4-20 years
Plant and equipment	5 years
Motor Vehicles	5 years
Lease improvement	3-10 years
IT Software	3-5 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income*.

Revaluation of land and buildings

Following initial recognition at cost, land and buildings are carried at a revalued amount that is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is the amount of 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. Fair values are confirmed by independent valuations that are obtained with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the reporting date. Director valuations are used if an independent valuation does not take place during an annual reporting period.

Land and buildings are treated as a class of assets. When the carrying amount of this class of assets is increased as a result of a revaluation, the increase is credited directly to the revaluation reserve, except where it reverses a revaluation decrement previously recognised in the statement of profit or loss and comprehensive income, in which case it is credited to that statement.

1) Summary of Significant Accounting Policies (continued)

f) Property, Plant & Equipment (continued)

When the carrying amount of land and buildings is decreased as a result of a revaluation, the decrease is recognised in the statement of profit or loss and other comprehensive income, except where a credit balance exists in the revaluation reserve, in which case it is debited to that reserve.

The AASB 116 *Property, Plant and Equipment* requires the review of the residual value and the useful life of an asset at least at each financial year end. The Group has reviewed and changed the depreciation method from diminishing value basis to straight line method, and also reviewed and changed the useful life of certain assets.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year end is immaterial.

Impairment of Assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets 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 *Consolidated Statement of Profit or Loss and Other Comprehensive Income*.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

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

g) Leases

The Group leases certain motor vehicles under finance lease and Premises, IT Equipment and Plant & Equipment under operating leases from non-related parties.

Finance Lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as fixed assets, other assets and borrowings respectively, at the inception of the lease based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating Leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

h) Cash

Cash and cash equivalents include cash on-hand and deposits held at-call with banks.

1) Summary of Significant Accounting Policies (continued)

i) 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 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 component of investing and financing activities, which are disclosed as operating cash flows.

j) Income Tax

The entity is registered with the Australian Charities and Not-for-profits Commission and is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

k) 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 reporting date.

l) Comparative Figures

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

m) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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 Group.

Key estimate

Provision for impairment of receivables

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. For non-government debts, the Group allows 50% for amounts that are 60 to 90 days past due and 100% for amounts that are greater than 90 days past due. For government related debtors, Group allows 50% for amount that are 180-365 days past due and 100% that are greater than 365 days past due. All debt write offs are approved by the board or as delegated within the board approved delegation policy.

2) Revenue and Other Income

in AUD	2019	2018
Government Grants:		
Grants from Department of Family and Community Services	2,776,008	21,891,114
Grants from Department of Employment	22,468,625	19,964,245
Other Grants	4,474,835	2,983,708
Total Government Grants	**29,719,468**	**44,839,067**
Department of Social Services: National Disability Insurance Scheme	60,078,071	31,542,114
Consumer service fees received	2,331,675	1,723,728
Fees for Service	2,849,148	612,336
Other income	635,629	2,742,089
Total Income	**95,613,991**	**81,459,334**

Group's transition from Department of Family and Community Services (FACS) funding to National Disability Insurance Scheme (NDIS) funding is now complete. Majority of the participants that were previously funded through FACS have now transitioned to either NDIS funding (for participants aged 65 or younger) or Department of Health Funding (for participants aged above 65). This has resulted in significant decrease in funding from FACS and a corresponding increase in NDIS funding.

3) Security over Borrowings and other guarantees

At 30 June 2019, one property in The Ponds, NSW was subject to a mortgage to secure a bank guarantee facility. Security extends only to the assets of Ability Options Limited and no Directors or Members have personal guarantees against the Group's borrowings.

Guarantees have been provided in favour of lessors from which the entity leases its properties, for bank guarantees it has provided on behalf of the Group totalling $607,015.

4) Trade and Other Receivables

in AUD	2019	2018
Trade debtors	5,414,993	3,445,486
Less provision for impairment	(1,094,243)	(774,445)
	4,320,750	**2,671,041**

5) Property, Plant and Equipment

in AUD	2019	2018
Land & Buildings - At Directors' Valuation	10,279,145	10,164,438
Less Accumulated Depreciation	(510,744)	(381,700)
	9,768,401	**9,782,738**
Motor Vehicles At Cost	135,445	2,224,453
Less Accumulated Depreciation	(89,187)	(1,399,249)
	46,258	**825,204**
Furniture & Fittings At Cost	11,458,518	9,275,852
Less Accumulated Depreciation	(6,651,167)	(4,857,372)
	4,807,351	**4,418,480**
Total Property, Plant and Equipment	**14,622,010**	**15,026,422**

Movements in carrying amounts

	Land & Bldgs at valuation	Motor Vehicles at cost	Furniture, Fittings & Equipment at cost	Total
Balance on 1 July 2018	**9,782,738**	**825,204**	**4,418,480**	**15,026,422**
Additions during the year	114,707	86,368	2,272,370	**2,473,445**
Disposals during the year	-	(761,389)	(89,704)	**(851,093)**
Depreciation expense for the year	(129,044)	(103,925)	(1,793,795)	**(2,026,764)**
Closing balance at 30 June 2019	**9,768,401**	**46,258**	**4,807,351**	**14,622,010**

	Land & Bldgs at valuation	Motor Vehicles at cost	Furniture, Fittings & Equipment at cost	Total
Balance on 1 July 2017	**9,744,730**	**332,168**	**3,735,708**	**13,812,606**
Additions during the year	159,526	806,118	1,973,318	**2,938,962**
Additions – acquired from integration				**-**
Disposals during the year	(22,762)	(7,227)	(73,155)	**(103,144)**
Depreciation expense for the year	(98,756)	(305,855)	(1,217,391)	**(1,622,002)**
Closing balance at 30 June 2018	**9,782,738**	**825,204**	**4,418,480**	**15,026,422**

The Group entered in a Sale & Leaseback transaction during the year. This has resulted in a significant decrease in book value of motor vehicles during the year and a corresponding increase in lease commitments (refer Note 9 – Commitments & Contingencies).

6) Prepayments and Other receivables

in AUD	2019	2018
Current		
Prepayments	394,668	390,693
Other receivables	2,993,573	1,104,535
	3,388,241	**1,495,228**
Non-current		
Lease incentive	101,431	74,597
Other receivables	-	52,192
	101,431	**126,789**

7) Other Expenses

in AUD	2019	2018
Contractors cost	2,199,458	2,180,515
Incidentals & Sundries - Consumables	2,760,502	533,988
Clients Expenses	1,819,759	2,111,601
IT related cost	2,493,910	3,055,149
Other expenses	5,915,384	7,413,078
MV and equipment lease	870,610	306,778
Transition cost	-	718,624
	16,059,623	**16,319,733**

8) Trade and Other Payables

in AUD	2019	2018
Trade payables	468,882	575,889
Sundry payables and accrued expense	9,991,348	7,874,009
Deferred income	4,611,239	2,998,346
	15,071,469	**11,448,244**

9) Provisions

in AUD	2019	2018
Current		
Provision for annual leave	2,372,524	2,161,332
Provision for long service leave	1,446,337	1,542,360
Make good	1,040,801	387,554
Other provision	482,900	400,815
	5,342,562	**4,492,061**
Non-current		
Provision for long service leave	628,389	429,342
Make good	266,043	766,144
Net defined benefit liability	222,672	361,863
	1,117,104	**1,557,349**

10) Commitments and Contingencies

Finance lease arrangements

The Group leased certain motor vehicles under finance leases. The average lease term is 3 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Minimum lease commitments	**2019**	**2018**
in AUD		
— not later than 12 months	34,318	63,354
— later than 12 months but not later than 5 years	7,350	41,668
— greater than 5 years	-	-
Total finance lease payments	**41,668**	**105,022**

Lease Arrangements

The Group rents properties from the Department of Family and Community Services – Housing and other parties. The annual rental commitment is currently $2,769,740 (2018: $1,684,811).

The Group rents printers, photocopier and facsimile equipment. The annual rental commitment is $493,107 (2018: $547,411) which includes print & copy costs. No other significant expenditure commitments exist.

Minimum lease commitments	**2019**	**2018**
in AUD		
— not later than 12 months	3,774,747	2,232,222
— later than 12 months but not later than 5 years	5,043,615	4,440,647
— greater than 5 years	963	207,188
Total operating lease payment	**8,819,325**	**6,880,057**

Liabilities recognised for lease incentives	**2019**	**2018**
in AUD		
Current	31,064	39,814
Non-current	108,543	139,607
Total lease incentives	**139,607**	**179,421**

10) Commitments and Contingencies (continued)

Operating Lease Arrangements

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the *Statement of Financial Position*. Increase in lease commitments may occur in line with CPI.

The Group has not early adopted AASB 16 *Leases* and its impact is still to be determined. Ability Options Group plans to adopt this standard for financial reporting period beginning 1 July 2019 as it becomes mandatory. Its impact and associated disclosures will form part of the financial statements for the year ending 30 June 2020.

11) Cash Flows Information

Reconciliation of Cash

For the purpose of the *Statement of Cash Flows*, cash includes cash on-hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the *Statement of Cash Flows* is reconciled to the related items in the *Statement of Financial Position* as follows:

in AUD	2019	2018
Cash and cash equivalents	7,290,550	8,131,747
Term Deposits (short term)	6,368,849	2,021,932
	13,659,399	**10,153,679**

Reconciliation of net cash used in operating activities to net deficit from ordinary activities

	2019	2018
Net surplus from ordinary activities	**2,546,488**	**(3,581,015)**
Add (deduct) non-cash transactions:		
Depreciation	2,026,764	1,622,002
Gain on disposal of assets	(266,115)	-
Provision for impairment of assets	401,883	-
Contribution through integration	-	(1,749,778)
Net surplus before changes in working capital and provisions	**4,709,020**	**(3,708,791)**
Movement in other assets	(1,636,700)	(871,079)
Movement in Prepayment and other receivables	(2,212,811)	560,984
Movement in trade and other payables	3,623,225	2,521,859
Movement in provisions	552,125	1,842,629
Net cash from operating activities	**5,034,859**	**345,602**

12) Accumulated Funds

in AUD	**2019**	**2018**
Accumulated funds at the beginning of the year	8,584,508	12,165,523
Net surplus / (deficit) for the year	2,546,488	(3,581,015)
Accumulated surplus at the end of the year	**11,130,996**	**8,584,508**

13) Related Parties and Key Management Personnel

Related entities

The Group is involved in joint operation of Hunter Valley Disability Services Limited and its wholly owned subsidiary, Hunter Valley Transfer Limited. It is a joint venture in which the Group has joint control and a 33% ownership interest. HVDS is a Not-for-Profit company limited by guarantee.

HVDS is structured as a separate vehicle and the Group has a residual interest in the net assets of HVDS. In accordance with the member's agreement under which HVDS is established, the Group and other members in the joint venture have agreed to make additional contributions in proportions of their interest to make up any losses if required. This unrealized commitment has not been recognized in these consolidated financial statements.

The Group shows its share of income, expenses and net assets in its consolidated financial statements in proportion of its economic interest.

Key management personnel

The Company's related parties included its key management personnel and inter-company transactions with Group entities.

Key management personnel are the Board of Directors and members of senior management. The Directors act in an honorary capacity and receive no paid compensation for their services as directors of this entity. Directors may receive reimbursement for expenses incurred in undertaking their duties as directors.

in AUD	**Short-term Benefits**	**Other Long-term Benefits**	**Termination payment**	**Total**
2019				
Total compensation	1,261,346	0	20,799	1,282,145
2018				
Total compensation	1,723,334	28,841	204,803	1,956,978

The Chair of the Olympus Solutions Limited board received a directors fee during the year, which is included within the KMP compensation disclosure above. The directors fee was received as a direct result of holding office as the Chair of the board of Olympus Solutions Limited. The fees were paid up to 30 June 2019. The Chair of the Olympus Solutions Limited has since been appointed as a director of Ability Options Limited and the director no longer receive any paid compensation for his services as director of the Company or any of its subsidiaries.

14) Members' Guarantee

The Company 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 obligations of the entity.

15) Interests in Subsidiaries

Information about Principal Subsidiaries

The subsidiaries listed below are wholly or partially owned (as noted in the table below) by the parent entity, Ability Options Limited. As at 30 June 2019, the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Ownership interest held by the Group			
Name of Subsidiary	Principal place of business	2019	2018
		%	%
Newcastle Temporary Care Limited	Broadmeadow, New South Wales	100	100
Olympus Solutions Limited	Sydney, New South Wales	100	100
Nambucca Valley Disability Services	Mid North Coast, New South Wales	100	100
Kempsey Respite Services Inc.	Mid North Coast, New South Wales	100	100
Manning Valley Respite Care Services Inc.	Hunter New England, New South Wales	100	100
Northern Beaches Interchange Inc.	Sydney, New South Wales	100	100
MNC Disability Services Limited	Mid North Coast, New South Wales	80	80
Ability Options Clinical Health Pty Ltd	Sydney, New South Wales	100	100
MNC Transfer Limited	Port Macquarie, New South Wales	80	80

16) Parent Entity Financial Information

Summary of Financial Information

The individual *Statement of Financial Position* for the parent entity show the following aggregate amounts:

in AUD	2019	2018
Balance sheet		
Current assets	7,796,495	6,876,197
Non-current assets	12,052,598	11,732,963
Total assets	**19,849,093**	**18,609,160**
Current liabilities	10,489,775	7,459,601
Non-current liabilities	1,203,248	1,109,805
Total liabilities	**11,693,023**	**8,569,406**
Net assets	**8,156,070**	**10,039,754**
Contributed equity		
Reserves	3,327,602	3,327,602
Accumulated profits	4,828,468	6,712,152
Total equity	**8,156,070**	**10,039,754**
Deficit for the year	(1,883,684)	(2,425,555)
Total comprehensive deficit for the year	**(1,883,684)**	**(2,425,555)**

17) Defined Benefit Plans

One of the Group's subsidiaries, MNC Transfer Limited contributes to a post-employment defined benefit plans established in Australia independently administered by State Super SAS Trustee Corporation, that is legally separated from the Group. The board of the pension fund is required by law to act in the best interest of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. The defined benefit plan is funded by the Group's subsidiary, MNC Transfer Limited. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

18) Information and declarations to Fundraising and Donation

in AUD	**2019**	**2018**
Gross proceeds from fundraising appeals:		
Donations	11,861	-
Total proceeds of fundraising appeals	**11,861**	**-**
Less: Total costs of fundraising appeals		
Fundraising expenses	-	-
Total costs of fundraising appeals	**-**	**-**

During the year, the Company achieved a net surplus of 11,861 (2018: $Nil) from fundraising activities defined under the Charitable Fundraising (NSW) Act 1991.

19) Events Subsequent to the End of Financial Year

No other material matters or circumstances have arisen since the end of the financial year.

20) Contingent assets and liabilities

Ability Options Limited has a guarantee to FACS covering any potential shortfall in the HVTL business, refer Note 1(b). Subsequent to that guarantee being issued, the other member entities of Hunter Valley Transfer Limited, have entered into a member's agreement that requires members to contribute towards any loss incurred by the joint venture in proportion to their economic interest.

The Directors are of the opinion that provisions are not required at present in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or that the amount is not capable of reliable measurement.

21) Entity Details

The registered street address of the entity is:

Ability Options Limited
Suite 1.14, The Versatile Building
29 – 31 Lexington Drive, BELLA VISTA NSW 2153

I, Julia Squire, Principal Officer of Ability Options Limited declare that in my opinion:

- the income statement of Ability Options Limited for 2019 gives a true and fair view of all income and expenditure of the Company with respect to fundraising appeals;
- the balance sheet of Ability Options Limited for 2019 gives a true and fair view of the state of affairs of the Company with respect to fundraising appeals conducted by the Company;
- the provisions of the Charitable Fundraising Act 1991, the Regulations under that Act and the conditions attached to the Charitable Fundraising Authority have been complied with by the Company; and
- the internal controls exercised by the Ability Options Limited are appropriate and effective in accounting for all income received and applied by the Company from any of its fundraising appeals.

Julia Squire

CEO and Principal Officer

26 September 2019

Grant Thornton

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Independent Auditor's Report

To the Members of Ability Options Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Ability Options Limited (the "Registered Entity") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in funds and consolidated 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 Options Limited 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 2019 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 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 Registered Entity 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.

Information Other than the Financial Report and Auditor's Report Thereon

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012, the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2015, 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.

The Directors 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 auditor's 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.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Archer
Partner – Audit & Assurance

Sydney, 26 September 2019

Acknowledgements

Ability Options Limited acknowledges with thanks the support provided by our many advocates, family members and friends during the year. It also acknowledges with thanks grants provided by the following Government agencies:

- The Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs
- The Commonwealth Department of Employment
- The Commonwealth Department of Social Services
- The Commonwealth Department of the Prime Minister and Cabinet
- The NSW Department of Education and Training
- The NSW Department of Premier and Cabinet
- The NSW Department of Family and Community Services
- Department of Social Services National Disability Insurance Agency

For more information about this report please contact Ability Options on:

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