

**RSL Welfare and Benevolent
Institution**

ABN 61 603 206 488

General purpose (RDR) financial
report for the year ended
31 December 2016

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Statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

		2016	2015
	Notes	\$	\$
Administration fees		197,306	-
Appeals	4.1	1,312,522	1,635,663
Bequests		-	82,073
Dividends received		102,936	112,179
Donations	4.2	2,272,834	1,547,424
Grants		222,885	176,788
Finance income		160,513	169,084
Net gain on sale of investments	12	66,449	23,804
Sale of goods		36,972	21,709
Other income	4.3	986,600	6,952
Total revenue		5,359,017	3,775,676
Administration expenses		(449,882)	(384,793)
Assets written off		(87,970)	-
Cost of goods sold		(363,877)	(343,521)
Depreciation and amortisation	7	(68,158)	(109,922)
Direct financial assistance	4.4	(619,455)	(648,177)
Donation to RSL Charities		(3,200)	(309,722)
Employee benefits expense	4.5	(1,814,073)	(1,321,003)
Employee related expenses		(23,201)	(29,136)
Grants		(1,019)	(18,511)
Impairment of assets		(128,535)	-
Inquiry and related costs		(49,740)	-
Insurance		(26,909)	(25,481)
Loss on disposal of assets		(1,952)	(371)
Net changes in fair value of available-for-sale financial assets		-	(51,949)
Other expenses		(63,821)	(50,796)
Professional expenses	4.6	(214,742)	(152,017)
Rental expense		(42,094)	(38,394)
Travelling expenses		(212,748)	(134,009)
Total expenses		(4,171,376)	(3,617,802)
Net surplus for the year		1,187,641	157,874
Other comprehensive income			
Net Increase / (decrease) in available-for-sale investments	12	107,988	(101,414)
Other comprehensive surplus / (deficit) for the year		107,988	(101,414)
Total comprehensive surplus for the year		1,295,629	56,460

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2016

		2016	2015
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	3,213,198	2,901,996
Trade and other receivables	6	538,275	289,123
Inventories		679,260	540,785
Total current assets		4,430,733	3,731,904
Non-current assets			
Property, plant and equipment	7	79,247	202,691
Available-for-sale investments	8	3,711,225	3,386,725
Total non-current assets		3,790,472	3,589,416
Total assets		8,221,205	7,321,320
Liabilities			
Current liabilities			
Trade and other payables	10	414,669	102,221
Employee benefit liabilities	11	129,493	87,779
Total current liabilities		544,162	190,000
Non-current liabilities			
Specific purpose obligations	4.3	-	893,450
Employee benefit liabilities	11	15,009	-
Total non-current liabilities		15,009	893,450
Total liabilities		559,171	1,083,450
Net assets		7,662,034	6,237,870
Equity			
Accumulated funds		7,218,656	5,528,802
Reserves	12	443,378	709,068
Total equity		7,662,034	6,237,870

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2016

		Accumulated funds	Available- for- sale investment reserve	Total equity
		\$	\$	\$
At 1 January 2015		5,370,928	810,482	6,181,410
Net surplus for the year		157,874	-	157,874
Decrease in fair value of available-for-sale investments	12	-	(77,610)	(77,610)
Net gain on disposal transferred to profit or loss	12	-	(23,804)	(23,804)
Total comprehensive surplus for the year		157,874	(101,414)	56,460
At 31 December 2015		5,528,802	709,068	6,237,870
At 1 January 2016		5,528,802	709,068	6,237,870
Net surplus for the year		1,187,641	-	1,187,641
Increase in value of available-for-sale investments	12	-	174,437	174,437
Net gain on disposal transferred to profit or loss	12	-	(66,449)	(66,449)
Total comprehensive surplus for the year		1,187,641	107,988	1,295,629
Transfer to accumulated funds	12	502,213	(502,213)	-
Impairment of assets	12	-	128,535	128,535
Other movements in reserve		502,213	(376,378)	128,535
At 31 December 2016		7,218,656	443,378	7,662,034

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 31 December 2016

		2016	2015
	Notes	\$	\$
Operating activities			
Receipts from appeals	16	1,312,522	1,635,663
Receipts from donations		2,272,834	2,520,206
Receipts from other income		159,600	283,660
Payments to suppliers and employees		(3,496,225)	(4,773,148)
Cash generated from / (used in) operating activities		248,731	(333,619)
Dividends received		102,936	112,179
Interest received		148,616	167,748
Net cash flows from / (used in) operating activities	5	500,283	(53,692)
Investing activities			
Proceeds from sale of property, plant and equipment		370	100
Purchase of property, plant and equipment		(35,006)	(32,199)
Disposal proceeds of available-for-sale investments		527,872	356,081
Purchase of available-for-sale investments		(682,317)	-
Net cash flows (used in) / from investing activities		(189,081)	323,982
Financing activities			
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		311,202	270,290
Cash and cash equivalents at 1 January		2,901,996	2,631,706
Cash and cash equivalents at 31 December	5	3,213,198	2,901,996

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2016

1. Entity information

The financial statements of RSL Welfare and Benevolent Institution (the "Trust") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Trustees on 13 March 2018.

The RSL Welfare and Benevolent Institution is a trust constituted by Deed on 6 November 1964. The trustees of the Trust are the State President and two RSL NSW members as appointed from time to time.

The registered office and principal office of business of the Trust is ANZAC House, 245 Castlereagh Street, Sydney, NSW 2000.

The nature of the operations and principal activities of the Trust during the financial year were to provide Australian Defence Force veterans and their families with assistance with Department of Veterans' Affairs claims, advocacy at the Veterans' Review Board, and counselling support in times of crisis, and financial assistance.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Trust is a not-for-profit, private sector entity which is not publicly accountable. Therefore, the financial statements for the Trust are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs).

For the year ended 31 December 2015, the Trust prepared its special purpose financial statements in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. These financial statements for the year ended 31 December 2016 are the first financial statements the Trust has prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs), which has resulted in the exclusions/inclusions of certain disclosures.

The financial report has been prepared on a historical cost basis, except available-for-sale (AFS) financial assets that have been measured at fair value.

The financial report is presented in Australian (\$).

The accounting policies adopted are consistent with those of the previous financial year.

a) Current versus non-current classification

The Trust presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

a) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Trust classifies all other liabilities as non-current.

b) Fair value measurement

The Trust measures financial instruments such as available-for-sale investments at fair value at each reporting date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

d) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Trust will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost are assigned using the first in first out method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

f) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as loans and receivables and available-for-sale (AFS) financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- AFS financial assets
- Loans and receivables

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and reflected in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the effective interest rate (EIR) method.

The Trust evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Trust is unable to trade these financial assets due to inactive markets, the Trust may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

f) Financial instruments - initial recognition and subsequent measurement (continued)

Subsequent measurement (continued)

AFS financial assets (continued)

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a trust of similar financial assets) is primarily derecognised (i.e., removed from the Trust's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trust continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Trust depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and office equipment	10%
Plant and equipment	20%
Motor vehicle	20%
Leasehold improvements	17%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Impairment of non-financial assets

The Trust assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Trust bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Trust's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of are recognised in the statement of profit or loss and other comprehensive income as expense.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Trust estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

i) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

j) Employee benefit liabilities

General

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Trust expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Long service leave and annual leave

The Trust does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Trust recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

Recognised as interest accrues, taking into account the yield on the financial asset. Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Income from investments

Revenue is recognised when the income is received.

Dividends

Dividends are recognised when the Trust's right to receive payment is established.

Donations or appeals income

Revenue is recognised when monies are received by the Trust.

Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Trust will comply with all attached conditions.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

l) Taxes

Current income tax

The Trust is a charitable organisation for the purpose of Australian taxation legislation and is therefore exempt from income tax. This exemption has been confirmed by the Australian Taxation Office. The Trust holds deductible gift recipient status.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

m) Specific purpose obligations

Specific purpose obligations represent funds received from individuals, estates or other parties for various purposes including: Scholarships or Youth sporting and other social activities. Such funds are held by the Trust to spend at its discretion for the purpose for which they originated. The Trust recognises the obligation to expend these funds as a provision, in some cases also maintaining a separate bank account. When the particular purpose for which the funds were contributed is completed, the obligation is extinguished, or the Trust decides that the funds can no longer be expended for the originally established purpose, any surplus funds are recognised as revenue. In addition, the Trust holds funds on behalf of other parties for specific memorials or commemoration purposes. These funds are held as an asset and a corresponding liability.

n) Comparatives

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Notes to the financial statements (continued)

For the year ended 31 December 2016

3. Significant accounting judgements, estimates and assumptions

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Trust.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to the financial statements (continued)

For the year ended 31 December 2016

4. Revenue and Expenses

4.1 Appeals

	2016	2015
	\$	\$
ANZAC day appeal	836,174	892,718
Poppy day appeal	476,348	742,945
	1,312,522	1,635,663

4.2 Donations

	2016	2015
	\$	\$
Corporate sponsorship and donations	146,436	390,853
RSL Central Council of Women's Auxiliaries	228,469	217,413
RSL sub-branches	1,460,579	515,053
Sundry donations	437,350	424,105
	2,272,834	1,547,424

4.3 Other income

	2016	2015
	\$	\$
Specific purpose obligations no longer required	893,450	-
Sundry income	93,150	6,952
	986,600	6,952

4.4 Direct financial assistance

	2016	2015
	\$	\$
Accommodation	81,160	68,841
Client support	-	66,128
Community and welfare events	37,064	54,240
Education	29,950	21,176
Funeral	41,847	68,923
Household	80,870	36,788
Medical	53,817	71,148
Miscellaneous	112,948	74,357
Motor vehicles	46,284	43,918
Travel	21,194	31,089
Utilities	114,321	70,627
Welfare activities	-	40,942
	619,455	648,177

Notes to the financial statements (continued)

For the year ended 31 December 2016

4 Revenue and Expenses (continued)

4.5 Employee benefits

	2016	2015
	\$	\$
Annual leave	44,543	30,697
Long service leave	5,446	9,196
Salaries	1,626,438	1,184,510
Superannuation	137,646	96,600
	1,814,073	1,321,003

Employee benefits are incurred for administration and client support services as set out below:

	2016	2015
	\$	\$
Administration services	441,597	449,980
Client support services	1,372,476	871,023
	1,814,073	1,321,003

4.6 Professional expenses

	2016	2015
	\$	\$
Audit fees	-	35,885
Consulting fees	72,032	99,542
Legal fees	142,710	16,590
	214,742	152,017

Notes to the financial statements (continued)

For the year ended 31 December 2016

5. Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank and on hand	323,046	350,113
Term deposits	2,890,152	2,551,883
	3,213,198	2,901,996

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

	2016	2015
	\$	\$
Cash flow reconciliation		
Reconciliation of net surplus to net cash flows from operations:		
Net surplus for the year	1,187,641	157,874
Adjustments for:		
Depreciation and amortisation	68,158	109,922
Loss on sale of property, plant and equipment	1,952	371
Gain on sale of available-for-sale financial assets	(66,449)	(23,804)
Write-off of property, plant and equipment	87,970	-
Impairment of available-for-sale financial assets	128,535	-
Write back of the special purpose provisions	(893,450)	-
Other non-cash items	4,382	146,034
Changes in assets and liabilities:		
(Increase) in trade and other receivables	(249,152)	(154,561)
(Increase) in inventories	(138,475)	(309,722)
Increase in trade and other payables	312,448	35,320
Increase / (decrease) in employee benefits	56,723	(15,126)
Net cash flows from / (used in) operating activities	500,283	(53,692)

6. Trade and other receivables

	2016	2015
	\$	\$
Trade receivables	274,185	80,790
Other receivables	201,650	207
Prepayments	35,137	154,074
Interest accrued	11,896	15,631
GST receivable	15,407	38,421
	538,275	289,123

Notes to the financial statements (continued)

For the year ended 31 December 2016

7. Property, plant and equipment

	Plant and equipment	Furniture and office equipment	Motor vehicle	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2016	190,594	89,997	62,444	339,226	682,261
Additions	26,869	8,137	-	-	35,006
Assets written off ¹	(158,872)	(89,518)	-	-	(248,390)
Disposals	-	-	(5,000)	-	(5,000)
At 31 December 2016	58,591	8,616	57,444	339,226	463,877
Depreciation					
At 1 January 2016	89,152	42,429	23,510	324,479	479,570
Depreciation charge for the year	32,199	9,437	11,775	14,747	68,158
Assets written off ¹	(108,906)	(51,514)	-	-	(160,420)
Disposals	-	-	(2,678)	-	(2,678)
At 31 December 2016	12,445	352	32,607	339,226	384,630
Net book value					
At 31 December 2016	46,146	8,264	24,837	-	79,247
At 31 December 2015	101,442	47,568	38,934	14,747	202,691

¹ Assets written off represents the scrapping of assets where acquisition costs pre 2015 could not be confirmed.

8. Available-for-sale investments

	2016	2015
	\$	\$
Shares in listed companies	1,188,695	1,128,474
Listed property trusts	275,277	230,766
Mortgage and wholesale funds	526,346	360,669
Notes	1,720,907	1,666,816
	3,711,225	3,386,725

Available-for-sale financial assets at fair value through OCI

The Trust has investments in listed securities. Fair values of these securities are determined by reference to published bid price quotations in an active market.

Notes to the financial statements (continued)

For the year ended 31 December 2016

9. Fair value measurement

The following table provides the valuation details of the Trust's assets measured at fair value.

	Date of valuation	\$
Assets measured at fair value:		
Available-for-sale investments		
Shares in listed companies	31 December 2016	1,188,695
	31 December 2015	1,128,474
Listed property trusts	31 December 2016	275,277
	31 December 2015	230,766
Mortgage and wholesale funds	31 December 2016	526,346
	31 December 2015	360,669
Notes	31 December 2016	1,720,907
	31 December 2015	1,666,816

The fair values of all available-for-sale investments are determined by reference to a published price quotation in an active market.

10. Trade and other payables

	2016	2015
	\$	\$
Other payables	233,381	102,221
Grants received in advance	181,288	-
	414,669	102,221

11. Employee benefit liabilities

	2016	2015
	\$	\$
Current		
Annual leave	120,943	74,269
Long service leave	8,550	13,510
	129,493	87,779
Non-current		
Long service leave	15,009	-
	15,009	-

Notes to the financial statements (continued)

For the year ended 31 December 2016

12. Reserves

Nature and purpose of reserves

Available-for-sale investment reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (e.g. equities), are recognised in other comprehensive income and accumulated funds in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 2(f) for details.

	Available- for-sale investment reserve
	\$
As at 1 January 2015	810,482
Increase/(Decrease) in fair value of available-for-sale investments	(77,610)
Net gain on disposal transferred to profit or loss	(23,804)
Net increase/(decrease) in available-for-sale investments	(101,414)
As at 31 December 2015	709,068
Increase/(Decrease) in fair value of available-for-sale investments	174,437
Net gain on disposal transferred to profit or loss	(66,449)
Net increase/(decrease) in available-for-sale investments	107,988
Transfers to accumulated funds	(502,213)
Impairment of available-for-sale financial assets	128,535
Other movements in reserve	(373,677)
As at 31 December 2016	443,378

13. Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 are as follows:

	2016	2015
	\$	\$
Within one year	-	7,560
After one year but not more than five years	-	-
More than five years	-	-
	-	7,560

Capital commitments

The Trust did not have any capital commitments as at 31 December 2016 (2015: nil).

Contingent liabilities

The Trust did not have any other contingencies as at 31 December 2016 (2015: nil).

Notes to the financial statements (continued)

For the year ended 31 December 2016

14. Key management personnel compensation

The Trustees act in an honorary capacity and have not received and are not entitled to receive any remuneration either directly or indirectly from the Trust.

The Trustees during the financial year ended 31 December 2016 were as follows:

Roderick White	-	resigned 17 May 2016
William Hardman	-	resigned 2 December 2016
Glenn Kolomeitz	-	resigned 28 April 2017
John Haines	-	resigned 18 May 2017

Trustees appointed after 31 December 2016 and remaining in office at the date of approval of these financial statements are as follows:

Geoffrey Evans	-	appointed 13 February 2017
James Brown	-	appointed 24 May 2017
Del Gaudry	-	appointed 17 October 2017

Key management personnel are persons who have authority and responsibility for planning, directing and controlling the activities of the Trust during the financial year. The key management personnel in office during the financial year were:

Robyn Collins	-	General Manager
James Dallas	-	Manager – Claims and Advocacy
Wayne Watson	-	Manager – Client Services
Jill Rochi	-	Manager – Fundraising

Compensation of key management personnel of the Trust

	2016	2015
	\$	\$
Total compensation paid to key management personnel	491,372	418,095

15. Events after the reporting period

Since the end of the financial reporting period the Trust has been the subject of an inquiry initiated by the NSW Government ("the Bergin Inquiry") on 15 May 2017. The final report produced by the Bergin Inquiry was issued to Honourable Matthew Kean MP (the "Minister") (Minister for Innovation and Better Regulation) on 31 January 2018.

The Bergin Inquiry accepted admissions from RSL WBI for non-compliance with the Charitable Fundraising Act 1991 (NSW) and Charitable Fundraising Regulation 2015 (NSW).

As a result of the non-compliance, the Trust suspended all fundraising activities on 4 August 2017.

The Bergin Inquiry recommended that the Minister consider issuing a new charitable fundraising authority rather than amending the present fundraising authorities.

It was also recommended that certain conditions be included if RSL WBI was to be granted a new fundraising authority.

The Minister determined that he would impose additional conditions on RSL WBI's existing fundraising authority which took effect from 12 February 2018.

Notes to the financial statements (continued)

For the year ended 31 December 2016

16. Fundraising activities

During the year the Trust received income from:

	2016	2015
	\$	\$
Donations	2,272,834	479,736
Investment income	-	92
Appeals	1,312,522	1,635,663
Other	-	22,663
Total	3,585,356	2,138,154

	2016	2015
	\$	\$
Funds were distributed as follows:		
Client support	540,543	455,802
Last post grants	41,847	68,923
Christmas cheer	-	28,270
Grants	1,020	23,511
Welfare activities	37,065	40,942
Total	620,475	617,448

	2016	2015
	\$	\$
Total cost of fundraising	348,523	332,343
Gross income from fundraising	3,585,356	2,138,154
%	9.72%	15.54%
Net proceeds of fundraising	3,236,833	1,805,811
Gross income from fundraising	3,585,356	2,138,154
%	90.28%	84.46%
Total fundraising distributed	620,475	617,448
Total expenditure	4,171,376	3,792,845
%	14.87%	16.28%
Total fundraising distributed	620,475	617,448
Net proceeds from fundraising	3,236,833	1,805,811
%	19.17%	34.19%



R.S.L. WELFARE AND BENEVOLENT INSTITUTION

RSL WELFARE AND BENEVOLENT INSTITUTION RESPONSIBLE ENTITIES' DECLARATION

Responsible Entities' Declaration

We, the Trustees of The RSL Welfare and Benevolent Institution (**the Trust**) declare that in our opinion, subject to the qualifications below:

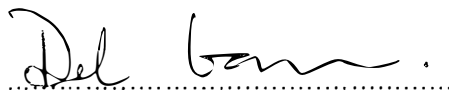
1. The statement of profit or loss and other comprehensive income gives a true and fair view of all income and expenditure of the Trust with respect to fundraising appeals for the financial year ended 31 December 2016;
2. The statement of financial position gives a true and fair view of the state of affairs of the Trust with respect to fundraising appeals conducted by the Trust;
3. The provisions of the *Charitable Fundraising Act 1991* (**the Act**) and the *Charitable Fundraising Regulation 2015* (**the Regulation**) and the conditions on the Trust's Charitable Fundraising Authority (**Authority Conditions**) have been complied with by the Trust for the period from 1 January 2016 to 31 December 2016 (subject to the qualifications below)
4. The internal controls exercised by the Trust are appropriate and effective in accounting for all income received and applied from any fundraising appeals (subject to the matters set out in the qualifications below).
5. The financial statements and notes of the Trust satisfy the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* (**the ACNC Act**) and the *Australian Charities and Not-for-Profits Commission Regulation 2013* (**the ACNC Regulation**), including, subject to the qualifications below, by giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial year ended on that date;
6. There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.

Qualifications

1. Certain provisions of the Act, the Regulation and the Authority Conditions have not been complied with by the Trust for the period from 1 January 2016 to 31 December 2016. Details of identified matters of non-compliance were provided to the 2017 Public Inquiry under the Charitable Fundraising Act conducted by the Honourable Patricia Anne Bergin SC (**the Bergin Inquiry**) and to the Office of Fair Trading.
2. Specifically, as advised by the Trust to the Bergin Inquiry and the Office of Fair Trading, the internal controls exercised by the Trust were not during the period 1 January 2016 to 31 December 2016 appropriate and effective in accounting for all income received and applied from any fundraising appeals in accordance with the Act, the Regulation under the Act and the Authority Conditions.
3. As a consequence, as advised to the Bergin Inquiry and the NSW Office of Fair Trading, the Trust suspended fundraising from 4 August 2017.
4. Certain provisions of the ACNC Act and the ACNC Regulation may not have been complied with by the Trust for the period 1 January 2016 to 31 December 2016.

5. The written records kept during the period 1 January 2016 to 31 December 2016 are unlikely to have been appropriate and effective in recording and explaining the transactions and financial position and performance of the Trust, or correctly recording its operations, so as to enable any recognised assessment activity to be carried out within the meaning of the ACNC Act in relation to the Trust.
6. Prior to the fundraising suspension, steps had been taken to ensure appropriate systems (such as a new accounting system, Navision, was installed and operating from 1 August 2017). Since the suspension, the Trust has taken further steps to implement appropriate systems and procedures and work with external consultants to ensure that effective and proper internal controls are now in place and have been since 1 January 2018.
7. Also, from 1 January 2018, an agreement was entered with RSL NSW to ensure that the Trust funds were only expended in accordance with the objects of the Trust.
8. The current Trustees of the Trust were appointed during the 2017 financial year and therefore were not responsible for internal controls exercised by the Trust for financial years prior to 2017. In addition, the current Trustees in giving these declarations (including the qualifications) have had to rely on information prepared during such financial years or provided to the Bergin Inquiry and the Office of Fair Trading in relation to such financial years, or that has been derived from such information, and the representations made to the auditor by the senior management personnel.

This declaration is made and signed in accordance with a resolution of the Trustees under subsection 60.15 of the *Australian Charities and Not-for-profit Commission Regulation 2013* and Authority Condition 6(3).



Del Gaudry
Trustee



Geoffrey Evans
Trustee

Dated this 13th day of March 2018

Independent Auditor's Report to the Trustees of RSL Welfare and Benevolent Institution

Qualified Opinion

We have audited the financial report of RSL Welfare and Benevolent Institution ("the Trust"), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Trustees' declaration.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the Trust is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012* including:

- a) giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Qualified Opinion

The Trust has recorded inventory on hand as at 31 December 2016 which is carried at \$679,260 in the statement of financial position. We were appointed as auditors of the Trust on 18 October 2017 and thus did not observe the counting of the physical inventories. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2016 and therefore were unable to determine if any adjustments to the inventory carrying value at 31 December 2016 were necessary. Since closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the statement of comprehensive income and the statement of cash flows for the year ended 31 December 2016.

It has not been practicable for us to carry out normal audit procedures on comparative 31 December 2015 balances relating to the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and associated disclosures for the period then ended, which are shown for the purposes of comparison. As such, we have not audited the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and associated disclosures for the period ended 31 December 2015. Since the 31 December 2015 balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the statement of comprehensive income and the statement of cash flows for the year ended 31 December 2016.

Cash donations are a source of revenue for the Trust. The Trust has determined that it is impracticable to establish control over the collection of cash donations prior to entry in its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to cash donations had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion whether the cash donations obtained by the Trust are complete.

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 Trust 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 qualified opinion.

Responsibilities of the Trustees for the Financial Report

The Trustees of the Trust 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* and for such internal control as the Trustees 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 Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Trust'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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015*

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* (the "Act") and the *NSW Charitable Fundraising Regulations 2015* (the "2015 regulations").

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

Qualified Opinion

In our opinion:

- a) Except for the impact of the matters listed in paragraphs b) and c), the financial report of the Trust has been properly drawn up and associated records have been properly kept during the financial year ended 31 December 2016, in all material respects, in accordance with:
 - i. sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii. section 10(6) and 11 of the *NSW Charitable Fundraising Regulations 2015*;
- b) the Trust has not complied with the following sections of the Act and the 2015 regulations:
 - i. section 22(1-2) of the *NSW Charitable Fundraising Act 1991*;
 - ii. section 11 of the *NSW Charitable Fundraising Regulations 2015*.
- c) the money received as a result of fundraising appeals conducted by the Trust during the financial year ended 31 December 2016 has not been properly accounted for and applied in accordance with the above mentioned Act(s) and Regulations.



Ernst & Young




Daniel Cunningham
Partner
Sydney

13 March 2018

Auditor's Independence Declaration to the Trustees of RSL Welfare and Benevolent Institution

In relation to our audit of the financial report of RSL Welfare and Benevolent Institution for the financial year ended 31 December 2016, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012* to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



Daniel Cunningham
Partner

13 March 2018