Multicultural Australia Limited
Annual Financial Report

For the year ended 30 June 2019

Contents

Directors' Report

The Directors of Multicultural Australia Limited (the "Company" or "Parent Entity") present their Directors' Report together with the financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2019 and the independent Auditor's Report thereon.

Directors' details

The following persons were Non-executive Directors of Multicultural Australia Limited during or since the end of the financial year.

Peter Forday MAICD, Chair

Peter Forday joined the Board in July 2011 and has held the position of Chair since November 2016. He is also a member of the People and Culture Committee and the Audit and Risk Committee. Peter holds a Bachelor of Speech Therapy (Hons), a Graduate Diploma in Social Sciences (Counselling), a Certificate IV in Program Design and Facilitation and is a Foundation Alumnus of the Queensland Leadership Program. Peter is also the Chair of Police Ethnic Advisory Group, Director of Mercy Community Services South East Queensland, Adjunct Research Fellow with Griffith University, Advisor to the AusCongo Network, and a Community Ambassador for White Ribbon Day. Peter owns and operates a management consultancy specialising in organisational change, stakeholder engagement and leadership.

Pele Ramdhani, Deputy Chair

Pele Ramdhani joined the Board in August 2016 and was elected Deputy Chair of the Board in November 2017. He resigned in February 2019. Pele holds a BA HMS in Exercise Physiology, Psychology and Human Movement from the University of Kwazulu in South Africa. He also holds a Certificate IV in Training and Assessment and a Diploma in Marketing Management. Pele serves as a multicultural community ambassador for the Gold Coast Suns, is a member of the AFL Queensland Advisory Board, and is an Executive Advisor and Ambassador for White Ribbon Day. Pele is currently the Head of Sales and Community Engagement at Goodlife Australia.

Thi The Anh Bui, Deputy Chair

Anh Bui joined the Board in June 2015 and is Chair of the Audit and Risk Committee. She was appointed Deputy Chair of the Board on February 2019. She holds a Bachelor of Laws, Bachelor of Business Administration and Graduate Diploma of Applied Corporate Governance. Anh is admitted as a Solicitor in the Supreme Court of Queensland, is an Associate member of CPA Australia and is a Fellow of the Governance Institute of Australia. She has over 10 years' experience in the financial services sector and is a risk, governance and compliance specialist.

Fahim Khondaker, Director

Fahim Khondaker joined the Board in June 2015 and is a member of the Audit and Risk Committee. He is a qualified Chartered Accountant and holds a Bachelor of Commerce (Accounting & Finance majors) and Bachelor of Economics. Fahim is a Partner at BDO in Brisbane and has extensive experience working with charities and community organisations that promote social cohesion.

Giri Sivaraman, Director
Giri Sivaraman joined the Board in April 2018 and is Chair of the People and Culture Committee. Giri is a Principal at Maurice Blackburn Lawyers and holds a Bachelor of Laws (Honours) and a Bachelor of Arts (Psychology) from Macquarie University.

Jade Demnar, Director
Jade Demnar joined the Board in September 2018. As a Management Consultant at Accenture Jade leads change management and innovation initiatives for government clients. In addition to these roles she serves as Non-executive Director of the Australian Cervical Cancer Foundation.

Sally Isles MAICD, Director
Sally Isles joined the Board in October 2007 and served as Chair from 2013 to 2016. Sally Isles resigned from the Board in February 2019 after serving for nearly 12 years. Sally attended university in Indonesia and holds a BA equivalent (IKIP Sanata Dharma, Indonesia) and post graduate qualifications in human resources from Deakin University. Sally has over 25 years' experience in strategic human resources leadership and management and currently holds the role of Client Partnership Manager with the Anglican Church of Southern Queensland.

Brett Pointing APM, Director
Brett Pointing had a 40-year career with the Queensland Police Service, including Deputy Commissioner from 2013-2018. Brett joined the Board in August 2018 and resigned in September 2018 following his relocation to Canberra to take up a new position. Brett is a graduate of the Federal Bureau of Investigation National Academy in the United States of America and is a Senior Adjunct Lecturer with the School of Education at the University of Southern Queensland. Brett also has a BA in Policing Studies and a Master of Education in Leadership and Management.

All Directors are volunteers and receive no payment for their work as Board and Committee Members. Directors are reimbursed expenses that are incurred in the course of their duties as Board members in accordance with company policy. Reasonable opportunities are provided from time to time to ensure the continued professional development of the Board.

All current Directors are also the members of the Company.

Company Secretary

Christina Skoien has held the position of Company Secretary since February 2016. Christina has completed a Graduate Diploma in Corporate Governance from the Governance Institute of Australia.

Principal activities

Multicultural Australia is an independent organisation committed to achieving quality settlement outcomes for clients. Multicultural Australia's staff work with refugees, international students, people seeking asylum and migrants, as well as their local communities. The principal activities of the organisation are directed towards shaping a better future for all by creating a welcoming, inclusive, globally connected, and economically strong community.

During the year, the organisation continued to work in partnership with clients, service providers, government agencies and private sector entities to deliver settlement services, advocacy, community development and multicultural sector development in metropolitan and regional Queensland.

Under the Humanitarian Settlement Program (HSP), Status Resolution Support Services (SRSS) program and Settlement Engagement and Transition Support (SETS) program, Multicultural Australia provided case management and other activities to support clients. The organisation also assisted newly arrived Queenslanders take the first step into employment through a range of employment programs including the Skilling Queenslanders for Work (SQW) and Work & Welcome programs.

Other activities include delivery of youth and migrant programs such as the Migrant Youth Vision Project, and the Brisbane Student Hub which welcomes international students. During the year, the organisation continued to focus of the development of its social enterprises, namely the not for profit real estate agency and sporting hub activities.

These activities reflect Multicultural Australia's core belief that providing pathways for the full participation of new arrivals are vital to a successful multicultural society.

Objectives

Multicultural Australia aims to:

- *Deliver for the Community* – make a measurable difference by delivering work which enhances prosperity, inclusion and equality for new Queenslanders.
- *Change the conversation* – seize opportunities to influence positive social change, create welcome and a strong sense of belonging for new Queenslanders.
- *Create opportunities* – invest in innovative, new business opportunities for the community, diversify its operations and ensure financial sustainability and viability.
- *Be accountable* – identify and measure the value of its work and ensure accountability to the people Multicultural Australia works with, its partners and funders.
- *Lead by example* – build an organisational culture where everyone contributes to leadership, collaboration and agility.
- *Keep fit for the future* – nurture an organisation that invests in the right skills and technologies to achieve our vision of creating a better future for all.

Financial performance

The 2018-19 financial year resulted in a consolidated deficit of $347,000 for the Group. Normalising for abnormal operating expenses of $350,000 relating to an accrual for superannuation on leave loading would have resulted in a normalised operating surplus of $3,000 for the 2018-19 financial year for the Group. The accrual relates to an ATO announcement during the year which clarified the position on superannuation guarantee obligations on leave loading.

The Group saw solid financial performance in core service delivery programs of settlement services, employment and youth programs, advocacy, community development, international students and multicultural sector development. In 2018-19 the organisation experienced growth in revenue of 31% (or $9.9 million) on the prior period. The increased revenue was predominantly due to an increase in actual client numbers compared to the expected client numbers in both the HSP and the SRSS program. This has resulted in an operating surplus of $489,000 in the core service delivery operations.

During the year Multicultural Australia Limited continued to broaden its investment into new business areas with the commencement of Welcome Sports and the continuation of Welcome Residential. These social enterprise initiatives remain in start-up phase with planned deficits. The 2018-19 year saw a combined deficit of $486,000 for these new businesses. The performance of these social enterprise initiatives continue to be monitored closely by management and the board to ensure alignment with the organisation's strategic objectives.

The Group maintains an asset to liability ratio of 2.9:1 with a robust balance sheet. The focus on maintaining an efficient accrual process to allow for future liabilities including leave and rent provisions enables the effective risk management of a sustainable financial position for future years.

Directors' meetings

The Directors meet regularly in accordance with the Constitution and the Board's work plan. During the year there were three Committees of the Board: the Audit and Risk Committee; the People and Culture Committee; and the Business Development Committee. The number of meetings of Directors held during the year, and the number of meetings attended by each Director, were as follows:

	Board of Directors' meetings	
Name	**Number eligible to attend**	**Number attended**
Peter Forday (Chair)	11	10
Thi The Anh Bui (Deputy Chair)	11	11
Fahim Khondaker	11	10
Giri Sivaraman	11	9
Jade Demnar	9	8
Sally Isles	7	7
Brett Pointing	1	1
Pele Ramdhani	7	5

	Audit and Risk Committee meetings	
Name	**Number eligible to attend**	**Number attended**
Thi The Anh Bui (Committee Chair)	6	6
Fahim Khondaker	6	5
Peter Forday	6	5

	People and Culture Committee meetings	
Name	**Number eligible to attend**	**Number attended**
Giri Sivaraman (Committee Chair)	3	3
Peter Forday	5	5
Sally Isles	3	3

Name	Business Development Committee meetings*	
	Number eligible to attend	Number attended
Pele Ramdhani (Committee Chair)	6	4
Fahim Khondaker	6	6
Peter Forday	6	5

* Committee ended in January 2019

Contribution on winding up

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the Company. At 30 June 2019, the total amount that members of the Company are liable to contribute if the Company wound up is $500.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* is included on page 6 of this financial report and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors.

Peter Forday
Chair
Dated 14th October 2019

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Multicultural Australia 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 Multicultural Australia 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 AUDIT PTY LTD
Chartered Accountants

S G Hancox

Partner - Audit & Assurance

Brisbane, 14 October 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue	4	37,867	30,658
Other income	4	3,755	1,022
Direct client expenses		(16,999)	(8,721)
Employee benefits expense	12	(19,870)	(18,081)
Depreciation expense		(436)	(311)
Amortisation expense		(174)	(148)
Write off property plant and equipment		-	(38)
Occupancy expenses		(544)	(656)
Facilities and maintenance		(380)	(347)
Other expenses		(3,566)	(3,379)
Surplus / (deficit) before income tax		**(347)**	**(1)**
Income tax expense		-	-
Surplus / (deficit) for the year		**(347)**	**(1)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income / (loss) for the period		**(347)**	**(1)**

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Current			
Cash and cash equivalents	5	10,671	14,462
Trade and other receivables	6	2,033	3,025
Financial assets	7	5,073	-
Other assets	10	149	204
Current assets		17,926	17,691
Non-current			
Property, plant and equipment	8	1,413	1,381
Intangible assets	9	245	419
Goodwill	17	80	80
Non-current assets		1,738	1,880
Total assets		**19,664**	**19,571**
Liabilities			
Current			
Trade and other payables	11	(2,572)	(1,972)
Provisions	13	(1,767)	(1,843)
Other liabilities	14	(2,050)	(2,203)
Current liabilities		(6,389)	(6,018)
Non-current			
Provisions	13	(492)	(423)
Non-current liabilities		(492)	(423)
Total liabilities		**(6,881)**	**(6,441)**
Net assets		**12,783**	**13,130**
Equity			
Retained earnings		12,783	13,130
Total equity		**12,783**	**13,130**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017	13,131	13,131
Surplus for the year	(1)	(1)
Other comprehensive income	-	-
Total comprehensive income for the year	(1)	(1)
Balance at 30 June 2018	**13,130**	**13,130**
Balance at 1 July 2018	13,130	13,130
Surplus for the year	(347)	(347)
Other comprehensive income	-	-
Total comprehensive income for the year	(347)	(347)
Balance at 30 June 2019	**12,783**	**12,783**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Receipts from:			
· Government, donors and others		45,807	31,321
· interest income		338	301
Payments to clients, suppliers and employees		(44,466)	(31,363)
Net cash provided by operating activities		**1,679**	**259**
Investing activities			
Purchase of property, plant and equipment		(470)	(136)
Purchase of intangible assets		-	(58)
Acquisition of Investment		(5,000)	-
Net cash provided by / (used in) investing activities		**(5,470)**	**(194)**
Net change in cash and cash equivalents		(3,791)	65
Cash and cash equivalents, beginning of year		14,462	14,397
Cash and cash equivalents, end of year	5	**10,671**	**14,462**

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

Notes to the Financial Statements

1 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. A statement of compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the Group applying not-for-profit specific requirements contained in the Australian Accounting Standards.

Multicultural Australia Limited is the Group's ultimate Parent Entity. Multicultural Australia Limited is a public company limited by guarantee incorporated and domiciled in Australia.

The financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 14th October 2019. The Board has the power to amend and re-issue the financial report.

2 Changes in accounting policies

2.1 New standard adopted as at 1 January 2018

AASB 9 Financial Instruments

AASB 9 Financial Instruments has been applied for the first time in this reporting period.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets. The new standard requires financial assets to be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise and introduces an 'expected credit loss' model for impairment of financial assets.

There has been no material impact on current, prior or future periods arising from the first-time application of AASB 9. Pursuant to AASB 9 transitional clauses, comparatives have not been restated.

3 Summary of accounting policies

3.1 Overall considerations

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

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

3.2 Basis of preparation

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

The Financial Statements, except for the cash flow information have been prepared on an accrual basis and are based on historical costs, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the Financial Statements have been rounded to the nearest thousand ($'000) dollars. Australian dollars is the functional and presentation currency of the Group.

3.3 Revenue

Revenue comprises revenue from government grants, fundraising, events and fee for service activities. Revenue from major service streams is shown in Note4.

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

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

Government funded programs

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

If conditions are attached to the funding which must be satisfied before the Group is eligible to receive the contribution, recognition of the revenue is deferred until those conditions are satisfied.

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

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

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

Donations

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

Fee for Service

Fees are recognised when the services are provided.

Interest income

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

3.4 Operating expenses

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

3.5 Intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

- software: 5 years

Amortisation has been included within amortisation expense.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

3.6 Property, plant and equipment

Leasehold improvements and equipment (comprising computers, office equipment, furniture and motor vehicles) are initially recognised at acquisition cost, including any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Leasehold improvement and equipment are subsequently measured using the cost model, cost less subsequent depreciation or amortisation.

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

- leasehold improvements: 1 – 20 years (improvements depreciated over lease term)
- computer equipment: 2 – 5 years
- office equipment: 3 – 15 years
- motor vehicles: 8 years
- furniture and fittings: 2 – 20 years

3.7 Leases

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.8 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 initially measured 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

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

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.

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. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

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.

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. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

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. However, for completeness, the accounting policy is disclosed below.

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.

3.9 Accounting policies applicable to comparative period (30 June 2018)

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:

- loans and receivables
- financial assets at Fair Value Through Profit or Loss (FVTPL)
- Held-To-Maturity (HTM) investments
- Available-For-Sale (AFS) financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

Loans and receivables

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

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

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

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity (HTM) investments

Held-to-maturity (HTM) investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

Held-to-maturity (HTM) investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-For-Sale (AFS) financial assets

Available-For-Sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within an AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'revenue'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

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

3.10 Impairment testing of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

3.11 Income taxes

Multicultural Australia Limited is predominately exempt from Australian income tax, as Section 50-5 of the Income Tax Assessment Act 1997 exempt recognised charitable institutions from income tax. However, the two subsidiaries of Multicultural Australia Limited (refer Note 19) are subject to income tax. For the subsidiaries, tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

Deferred tax is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Cash and cash equivalents

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

3.13 Retained earnings

Retained earnings include all current and prior period retained surpluses.

3.14 Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Defined contribution superannuation benefits

All employees of the Group received defined contribution superannuation entitlements for which the Group pays the fixed superannuation guarantee contribution to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contribution at the end of the reporting period. All obligations for unpaid superannuation guarantee contribution are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

3.15 Provisions, contingent liabilities and contingent assets

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

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

3.16 Deferred income

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

3.17 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

3.18 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

3.19 Economic dependence

The Group is dependent upon the ongoing receipt of Federal and State Government grants, fee for service contracts and community and corporate donations to ensure the ongoing continuance of its programs. At the date of this report management has no reason to believe that this financial support will not continue.

3.20 Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3.21 Significant management judgement in applying accounting policies

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

Long service leave

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

3.22 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Interests in associates are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its share of the revenue from the services rendered by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as an investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3.23 Basis of consolidation

The Group financial statements consolidate those of the Parent Entity and all of its subsidiaries as of 30 June 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June 2019.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.24 Business combination

The Group applies the acquisition method in accounting for business combinations.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

4 Revenue

The Group's revenue may be analysed as follows for each major product and service category:

	2019 $'000	2018 $'000
Revenue		
Fee for service	619	1,341
Sponsorship	375	221
Government funded programs	35,232	27,913
Donations	33	68
Other income	1,608	1,115
	37,867	**30,658**
Other income		
Rent	3,344	721
Interest	338	301
Finance income	73	-
	3,755	**1,022**
Total revenue	**41,622**	**31,680**

5 Cash and cash equivalents

Cash and cash equivalents consist the following:

	2019 $'000	2018 $'000
Cash on hand	6	6
Cash at bank	3,652	1,790
Short term deposits	7,013	12,666
Cash and cash equivalents	**10,671**	**14,462**

Bank guarantees of $78,512.51 were settled in full in FY19.

5.1 Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the statement of financial position as follows:

	2019 $'000	2018 $'000
Cash and cash equivalents	**10,671**	**14,462**

6 Trade and other receivables

	2019 $'000	2018 $'000
Current		
Trade receivables, gross	1,115	1,239
Provision for doubtful debts	(201)	-
Trade receivables, net	914	1,239
Accrued income	996	1,691
Other receivables	123	95
Total trade and other receivables	**2,033**	**3,025**

7 Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Notes	2019 $'000	2018 $'000
Financial assets			
Current			
Cash and cash equivalents	5	10,671	14,462
Trade and other receivables	6	2,033	3,025
Financial assets at fair value through profit or loss		5,073	-
Total financial assets		**17,777**	**17,487**

	Notes	2019 $'000	2018 $'000
Financial liabilities			
Current			
Trade and other payables	11	2,572	1,972
Total financial liabilities		**2,572**	**1,972**

See Notes 3.8 and 3.9 for a description of the accounting policies for each category of financial instruments. Information relating to fair values is presented in the related notes.

8 Property, plant and equipment

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

	Leasehold Improvements $'000	Computer Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Furniture & Fittings $'000	Total $'000
Gross carrying amount						
Balance 1 July 2018	3,409	651	231	229	63	4,583
Additions	416	19	0	33	0	468
Balance 30 June 2019	3,825	670	231	262	63	5,051
Depreciation and impairment						
Balance 1 July 2018	(2,462)	(402)	(216)	(110)	(12)	(3,202)
Depreciation	(226)	(116)	(15)	(32)	(47)	(436)
Balance 30 June 2019	(2,688)	(518)	(231)	(142)	(59)	(3,638)
Carrying amount 30 June 2019	**1,137**	**152**	(0)	**120**	**4**	**1,413**

All depreciation is included within 'depreciation expense'.

9 Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

	2019 $'000
Acquired software licences	
Gross carrying amount	
Balance at 1 July 2018	762
Addition, separately acquired	-
Balance at 30 June 2019	762
Amortisation and impairment	
Balance at 1 July 2018	(343)
Amortisation	(174)
Impairment losses	
Balance at 30 June 2019	(517)
Carrying amount 30 June 2019	**245**

10 Other assets

Other assets consist of the following:

	2019 $'000	2018 $'000
Current:		
prepayments	149	204
Total other asset	**149**	**204**

11 Trade and other payables

Trade and other payables recognised consist of the following:

	2019 $'000	2018 $'000
Current:		
trade payables	552	363
other creditors and accruals	2,020	1,609
Total trade and other payables	**2,572**	**1,972**

12 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2019 $'000	2018 $'000
Wages, salaries	17,848	16,537
Workers compensation insurance	86	51
Superannuation – defined contribution plans	1,936	1,493
Employee benefits expense	**19,870**	**18,081**

13 Provisions

The liabilities recognised for provisions consist of the following amounts:

	2019 $'000	2018 $'000
Current:		
annual leave	1,293	1,354
time in lieu	50	56
long service leave	411	420
MV excess	13	13
	1,767	1,843
Non-current:		
long service leave	189	165
lease incentive	303	258
	492	423
Total provisions	**2,259**	**2,266**

13.1 Motor vehicle excess provision

Motor vehicle excess provision consists of the following:

	2019 $'000	2018 $'000
Current liabilities		
Provision for motor vehicle excess	13	13
Balance as at 30 June	**13**	**13**

The provision for motor vehicle excess reflects a requirement to provide for known future motor vehicle excess expense at the end of the motor vehicle leases.

13.2 Lease incentive provision

Lease incentive provision consists of the following:

	2019 $'000	2018 $'000
Non-current liabilities		
Provision for lease incentive contract	303	258
Movement in provision		
Balance as at 1 July	258	215
Additional provision recognised	45	43
Balance as at 30 June	**303**	**258**

The provision for lease incentive reflects a requirement to provide for known future increases in operating lease rentals for the lease of premises.

14 Other liabilities

Other liabilities can be summarised as follows:

	2019 $'000	2018 $'000
Deferred income	2,050	2,203
Other liabilities – current	**2,050**	**2,203**

Deferred income consists of income received in advance for services to be rendered by the Group. Deferred income is recognised when the services are delivered.

15 Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year **$'000**	**1 to 5 years** **$'000**	**After 5 years** **$'000**	**Total** **$'000**
30 Jun 2019	315	904	538	1,757
30 Jun 2018	255	728	538	1,521

Lease expense during the period amount to $544,341 (2018: $849,939) representing the minimum lease payments.

The property lease commitments are non-cancellable operating leases with lease terms of between one (1) and twenty (20) years. Increases in lease commitments may occur in line with CPI or market rent reviews in accordance with the agreements.

The Motor Vehicle leases and equipment leases are also operating leases with lease terms of between one (1) and five (5) years.

16 Related party transactions

The Group's related parties include its associates, key management and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

16.1 Transactions with associates

The Company previously provided management and operational support services to its associate Connect Settlement Services. Nil services were provided in the 2018-19 financial year (2018: $60,400). An adjustment of $68,181 was processed by the Company during the year and reflected in the trade receivables balance of $199,286. A provision for doubtful debt for the entire balance is included in the 2018-19 financial year.

16.2 Transactions with key management personnel

Remuneration paid to key management personnel includes salary, contributions to members' superannuation and other benefits paid to them and on their behalf. Total key management personnel compensation for 2018-19 was $1,428,493 (2018: $1,072,830). This includes separation payments made to key management personnel during the year.

In the normal course of business Welcome Residential Pty Ltd manages properties for certain key management personnel. Real estate management fees are charged by Welcome Residential Pty Ltd on these properties, the total value related to these transactions is $3,730 (2018: $6,046) on commercial terms.

16.3 Other

Director Fahim Khondaker is employed by BDO and Islamic council of Queensland (ICQ) Inc. BDO did not provide any professional consulting services for Multicultural Australia Limited during the financial year (2018: $15,507). Multicultural Australia Limited provided a Cultural Awareness workshop for BDO to the value of $350 (2018: $0). ICQ was a subcontractor of Multicultural Australia Limited to provide employment support services, to the value of $75,898 (2018: $244,325).

Director Anh Bui was employed by PwC. PwC did not provide any professional consulting and training services during the financial year (2018: $8,095). PwC contributed $1,000 as a sponsor of the Luminous Lantern Parade 2019.

All transactions were at arm's length terms and conditions.

17 Goodwill

The movement in the net carrying amount of goodwill are as follows:

	2019 $'000	2018 $'000
Gross carrying amount		
Balance as at 1 July	80	80
Acquired through business combination	-	-
Balance as at 30 June	80	80
Accumulated impairment		
Balance as at 1 July	-	-
Impairment loss recognised	-	-
Balance as at 30 June	-	-
Carrying amount at 30 June	**80**	**80**

18 Parent entity information

Information relating to Multicultural Australia Limited (the "Parent Entity"):

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	17,700	17,986
Non current assets	2,269	1,876
Total assets	19,969	19,862
Current liabilities	(6,196)	(6,017)
Non current liabilities	(492)	(424)
Total liabilities	(6,688)	(6,441)
Net assets	**13,281**	**13,421**
Issued capital	0	0
Retained Earnings	13,281	13,421
Total equity	**13,281**	**13,421**
Statement of profit or loss and other comprehensive income		
Profit / (loss) for the year	(140)	290
Other comprehensive income	0	-
Total comprehensive income	**(140)**	**290**

The Parent entity's future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $'000	**1 to 5 years $'000**	**After 5 years $'000**	**Total $'000**
30 Jun 2019	315	904	538	1,757
30 Jun 2018	255	728	538	1,521

19 Composition of the Group

Set out below are the details of the subsidiaries and associates held directly by the Parent Entity:

Name of the subsidiary or associate	Country of incorporation and principal place of business		Principal activity	Proportion of ownership interests held by the Group	
				30-Jun-19	30-Jun-18
MDA Training Pty Ltd	Queensland, Australia	Subsidiary	Training and education	100%	100%
Welcome Residential Pty Ltd	Queensland, Australia	Subsidiary	Real estate agency	100%	100%
Welcome Sports Ltd	Queensland, Australia	Subsidiary	Sporting hub	50%	-
Connect Settlement Services Pty Ltd	Victoria, Australia	Associate	Settlement services	50%	50%

The Parent Entity holds the controlling interest in Welcome Sports but does not hold the controlling interest in Connect Settlement Services.

20 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' Declaration

In the opinion of the Directors of Multicultural Australia Limited:

a. The consolidated financial statements and notes of Multicultural Australia Limited are in accordance with the Australian Charities and Non-for-profits Commission Act 2012, including:

   i. Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

   ii. Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Non-for-profits Commission Regulation 2013; and

b. There are reasonable grounds to believe that Multicultural Australia Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

Peter Forday
Chair
Dated 14th October 2019