

YCGROUP

YOU CAN



Financial Report
For The Year Ended
30 June 2018

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Director's Report

Your directors present their report on the YC Group Australia Limited and its controlled entities for the year ended 30 June 2018.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Qualifications and Period of Directorship
Ali Akbarian	Chair
Patrick Lewis	Secretary (Resigned 30 November 2018)
Karen Ridge	Director
Elizabeth Spooner	Director (Resigned 22 July 2018)
Timothy Michael Blanchflower	Director
Peter Alward	Director (Appointed May 2018)
Kevin Spiteri	Director (Appointed May 2018)

The company 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 \$5.00 each towards meeting any outstanding obligations of the company.

Principal Activities

The principal activities of the company during the year were to achieve the vision for the people we serve as well as deliver the strategic plan. Its main service groupings are:

- Education
- Training
- Employment
- Disability services
- Social enterprise

These services are achieved through the subsidiary entities.

There were no significant changes in the nature of these activities during the year.

Short-term and Long-term Objectives

Short-term

The short-term objectives are to

- Work with our project partners in developing better project performance and evidence based outcomes
- Ensure that all funded programs deliver their goals within the contracted period of time
- Commit to continually improving our service delivery

Directors Report

Long-term

Long-term objectives are to

- Have less dependence on government funding
- Have a strong asset portfolio including ownership of land
- Be an effective provider of services to government with measurable and transparent outcomes for each program funded
- Be a voice for the youth of the regions we operate in, in order to positively impact future generations of people facing vulnerabilities

Strategies adopted to meet objectives

The strategy adopted to meet objectives is establishing partnerships with key stakeholders to ensure we achieve our long term and short term objectives.

Operating Result

The operating profit of the company amounted to \$21,542 (2017: Profit \$766 732). The company is exempt from income tax.

Proceeds on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purposes of taking responsibility on behalf of the entity for all or any part of those proceedings.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out in page 5.

The director's report is signed in accordance with a resolution of the directors.

Director

Dated:

Director

**Auditor's Independence Declaration
to the Directors of YC Group Australia Limited and Controlled Entities**

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

FORTUNITY ASSURANCE

T R Davidson
Partner

155 The Entrance Road
ERINA NSW 2250

Dated:

YC Group Australia Limited
ACN 612 836 567 and Controlled Entities

Statement of Comprehensive Income
For The Year Ended 30 June 2018

Consolidated Group			
	Note	2018 \$	2017 \$
Revenues	2	6,919,041	9,923,959
Employee benefits expense		(4,570,361)	(5,330,403)
Depreciation expenses		(264,095)	(291,784)
Finance costs		(5,177)	(26,816)
Rental expenses		(89,227)	(45,429)
Other expenses from ordinary activities		(1,968,639)	(3,462,795)
Profit before income tax	3	21,542	766,732
Income tax expense		-	-
Total comprehensive income for the year		21,542	766,732

The accompanying notes form part of these financial statements.

YC Group Australia Limited
ACN 612 836 567 and Controlled Entities

Statement of Financial Position
As At 30 June 2018

Consolidated Group			
	Note	2018 \$	2017 \$
Assets			
Current Assets			
Cash and cash equivalents	4	63,513	268,156
Trade and other receivables	5	968,134	880,468
Prepayments		120,612	131,478
Total Current Assets		1,152,259	1,280,102
Non-Current Assets			
Property, plant & equipment	6	2,786,038	2,893,481
Intangible assets	7	48,537	17,911
Total Non-Current Assets		2,834,575	2,911,392
Total Assets		3,986,834	4,191,494
Liabilities			
Current Liabilities			
Trade and other payables	8	651,106	558,612
Employee benefits	9	172,269	180,027
Borrowings	10	29,238	181,256
Funding in advance		457,562	468,677
Total Current Liabilities		1,310,175	1,388,572
Non-Current Liabilities			
Employee benefits	9	80,733	80,582
Borrowings	10	82,393	76,312
Other Liabilities		-	154,043
Total Non-Current Liabilities		163,126	310,937
Total Liabilities		1,473,301	1,699,509
Net Assets		2,513,533	2,491,991
Members' Funds			
Retained deficit		(143,467)	(165,009)
Asset revaluation reserve		2,657,000	2,657,000
Total Members' Funds		2,513,533	2,491,991

The accompanying notes form part of these financial statements.

**YC Group Australia Limited
ACN 612 836 567 and Controlled Entities**

**Statement of Changes in Members' Fund
For The Year Ended 30 June 2018**

	Asset Revaluation Reserve \$	Retained Deficit \$	Total \$
Balance at 30 June 2016	2,657,000	(931,741)	1,725,259
Profit for the year	-	766,732	766,732
Balance at 30 June 2017	<u>2,657,000</u>	<u>(165,009)</u>	<u>2,491,991</u>
Profit for the year	-	21,542	21,542
Balance at 30 June 2018	<u>2,657,000</u>	<u>(143,467)</u>	<u>2,513,533</u>

The accompanying notes form part of these financial statements.

**YC Group Australia Limited
ACN 612 836 567 and Controlled Entities**

**Statement of Cash Flows
For The Year Ended 30 June 2018**

	Note	Consolidated Group	
		2018 \$	2017 \$
Cash Flow from Operating Activities			
Receipts from customers, grants		6,755,493	7,092,696
Payments to suppliers and employees		(6,453,372)	(7,213,294)
Interest received		882	5,603
Interest Paid		(5,177)	(24,563)
Net cash used in operating activities	11 (b)	<u>297,826</u>	<u>(139,558)</u>
Cash Flow from Investing Activities			
Proceeds from sale of property, plant and equipment		7,554	10,760
Payment for property, plant and equipment		(162,335)	(278,807)
Payment for intangible asset		(32,500)	(9,091)
Net cash used in investing activities		<u>(187,281)</u>	<u>(277,138)</u>
Cash Flow from Financing Activities			
Prepayment of borrowings		(199,969)	(71,089)
Proceeds from borrowings		36,800	130,200
		<u>(163,169)</u>	<u>59,111</u>
Net increase in cash held		<u>(52,624)</u>	<u>(357,585)</u>
Cash at beginning of year		115,898	473,463
Cash at the End of Financial Year	11(a)	<u>63,274</u>	<u>115,898</u>

The accompanying notes form part of these financial statements.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies

The consolidated financial statements and notes represent those of YC Group Australia Limited and controlled entities (the 'consolidated group' or 'group'). YC Group Australia Limited is incorporated and domiciled in New South Wales, Australia. YC Group Australia Limited is a company limited by guarantee.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and the Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and other law requirements.

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporated the assets, liabilities and results of entities controlled by YC Group Australia Limited at the end of the reporting period. A controlled entity is any entity over which Youthconnections.com.au has power to govern the financial and operating policies so as to obtain benefits from its activities.

In preparing the consolidated financial statements, all intra-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. A list of controlled entities is contained in Note 12 to the financial statements.

(b) Income Tax

The consolidated group is exempt from income tax.

(c) Property, Plant and Equipment

Each class of property, plant and equipments is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Increases in the carrying amount arising on revaluation of property are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit and loss.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies (cont'd)

(d) Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over the useful lives of the assets to the association commencing from the time the asset is held ready for use.

As the revalued property are depreciated the difference between depreciation recognised in the Statement of Comprehensive Income, which is based on the revalued carrying amount of the asset, and the depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

(d) Depreciation

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate
Leasehold improvements	20%
Motor Vehicle	20-40%
Plant and Equipment	30%
Furniture and fittings	20%

(e) Financial Instruments

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies (cont'd)

(i) Financial assets at fair value through profit or loss.

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available for sale financial assets are classified as current assets.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies (cont'd)

(e) **Financial Instruments (cont'd)**

(v) Financial liabilities

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

Impairment

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

For financial assets carried at the amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of the financial assets impaired by credit losses. After having undertaken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off of amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the term financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets taking into the account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies (cont'd)

(e) Financial Instruments (cont'd)

Derecognition

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

(f) Impairment of Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such indication exists, an impairment test is carried out on the asset by comparing the recoverable amount if an 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 and loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment or loss of a re-valued asset is treated as a revaluation decrease in accordance with that other standard.

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

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

(g) Employee Entitlements

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for their benefits.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Note 1. Statement of Significant Accounting Policies (cont'd)

(i) Trade and Other Receivables

Trade and other receivables include amounts due from members as well as amounts receivable from customers for goods sold in ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Refer to note 1(f) for further discussion on the determination of impairment losses.

(j) 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 Tax Office (ATO).

(k) Trade and Other Payables

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

(m) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**YC Group Australia Limited
ACN 612 836 567 and Controlled Entities**

**Notes To The Financial Statements
For The Financial Year Ended 30 June 2018**

	Consolidated Group	
	2018	2017
	\$	\$
Note 2. Revenue		
Operating activities		
Funding received	6,602,969	6,174,294
Training revenue	-	2,405,361
Incentives received	18,000	9,052
Rebates and recoveries	29,634	31,250
Donations	19,482	8,920
Other income	248,074	1,289,479
	<u>6,918,159</u>	<u>9,918,356</u>
Non-operating activities		
Interest received	882	5,603
Total Revenue	<u>6,919,041</u>	<u>9,923,959</u>
Note 3. Profit from Ordinary Activities		
Profit from ordinary activities has been determined after:		
(a) Expenses		
Borrowing costs	5,177	24,563
Depreciation	264,098	279,791
	<u>269,275</u>	<u>304,354</u>
Note 4. Cash and Cash Equivalents		
Cash on hand	2,916	2,878
Cash at bank	60,597	265,278
	<u>63,513</u>	<u>268,156</u>

**YC Group Australia Limited
ACN 612 836 567 and Controlled Entities**

**Notes To The Financial Statements
For The Financial Year Ended 30 June 2018**

	Consolidated Group	
	2018	2017
	\$	\$
Note 5. Trade and Other Receivables		
Trade debtors	808,247	815,168
Bonds	17,119	20,679
Other debtors	142,768	35,341
Loan – Associated entities	-	9,280
	<u>968,134</u>	<u>880,468</u>
Note 6. Property, Plant & Equipment		
Leasehold improvements - at directors' valuation (a)	2,657,000	2,657,000
Leasehold improvements – at cost	308,432	259,291
Less accumulated depreciation	(477,125)	(383,828)
	<u>2,488,307</u>	<u>2,532,463</u>
Plant and equipment – at cost	696,053	744,610
Less accumulated depreciation	(554,308)	(546,675)
	<u>141,745</u>	<u>197,935</u>
Motor vehicle – at cost	446,778	398,610
Less accumulated depreciation	(290,792)	(235,527)
	<u>155,986</u>	<u>163,083</u>
	<u>2,786,038</u>	<u>2,893,481</u>

(a) The leasehold improvements at Green Central, Kariang were valued by the directors on 30 June 2016.

YC Group Australia Limited
ACN 612 836 567 and Controlled Entities

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Consolidated Group

2018
\$

2017
\$

Note 6. Property, Plant & Equipment (cont'd)

Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Leasehold Improvement- at directors valuation	Plant & Equipment - at cost	Motor vehicle- at cost	Total
Balance at beginning of year	-	2,532,463	193,945	167,073	2,893,481
Additions	-	45,226	67,050	50,059	162,335
Disposals/Transfers	-	-	(9,829)	(5,022)	(14,851)
Depreciation expense	-	(89,382)	(109,421)	(56,124)	(254,927)
Carrying amount at the end of the year	-	2,488,307	141,745	155,986	2,786,038

Note 7. Intangible assets

RTO Intellectual property – at cost	22,115	22,115
Less accumulated depreciation	(6,078)	(4,204)
	16,037	17,911
Goodwill – at cost	32,500	-
	48,537	17,911

Note 8. Trade and Other Payables

Trade payables	287,506	186,270
Other payables and accruals	231,837	159,059
GST payable	62,273	213,283
Loan – Ngaruki Gulgul Limited	69,490	-
	651,106	558,612

YC Group Australia Limited
ACN 612 836 567 and Controlled Entities

Notes To The Financial Statements
For The Financial Year Ended 30 June 2018

Consolidated Group

2018
\$

2017
\$

Note 9. Employee Benefits

Current:		
Annual leave	145,017	152,552
Long service leave	27,252	27,475
	172,269	180,027
Non-Current:		
Annual leave	37,946	57,798
Long service leave	42,787	22,784
	80,733	80,582

Note 10. Borrowings

Current:		
Bank overdraft	239	152,258
Hire purchase liabilities	28,999	28,998
	29,238	181,256
Non-Current:		
Hire purchase liabilities	82,393	76,312
	82,393	76,312

Note 11. Cash Flow Statement

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the statements of financial position as follows.

Cash on hand	2,916	2,878
Cash at bank	60,597	265,278
Bank overdrafts	(239)	(152,258)
Balance as per statement of cash flows	63,274	115,898

**Notes To The Financial Statements
For The Financial Year Ended 30 June 2018**

Consolidated Group

	2018	2017
	\$	\$
Note 11. Cash Flow Statement (cont'd)		
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.		
Operating (loss) /profit for the year	21,542	766,732
Non-cash flows in profit from ordinary activities		
Depreciation and amortisation	264,098	277,249
Provision for doubtful debts	75,000	2,295
Loss on disposal of property, plant and equipment	-	53,633
Changes in net assets and liabilities:		
Trade and other receivables	(162,666)	(113,611)
Prepayments	10,866	(82,658)
Trade and other payables	92,494	(451,598)
Employee benefits	7,607	(67,980)
Funding in advance	(11,115)	(523,620)
Net cash used in operating activities	297,826	(139,558)

Note 12. Controlled Entities

Controlled Entities Consolidated

Subsidiaries of YC Group Australia Limited

- YC Industry Link Pty Ltd
- YG Enterprises Pty Ltd
- Youthconnections.com.au
- BISEE Pty Ltd
- All Things Finance Pty Ltd
- The Skills Generator Limited
- Australian Landscapes Pty Ltd
- Ngaruki Gulgul Limited (ceased to be a member of the group on 31 December 2017)

Directors' Declaration

In accordance with a resolution of the directors of YC Group Australia Limited made pursuant to Section 60.15 of the Australian Charities and Not-for-profits Regulations 2013, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 21 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012:
 - (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

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

Director

Director

Kariong:

Independent Audit Report To The Members
Of YC Group Australia Limited And Controlled Entities

Report on the Financial Report

Opinion

We have audited the accompanying financial report of YC Group Australia Limited (the group), which comprises the statement of financial position as at 30 June 2018, statement of profit or loss & other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the committee Members' declaration.

In our opinion the financial report of YC Group Australia Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its 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*.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report or our auditor's report thereon.

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

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

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

Directors' Responsibility for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the committee members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going

Independent Auditor's Report to the Members of
YC Group Australia Limited and Controlled Entities

Directors' Responsibility for the Financial Report (cont'd)

concern and using the going concern basis of accounting unless the Directors either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility 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 it is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from Fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Conclude on the appropriateness of the Group's 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 Association'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 or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies

**YC Group Australia Limited
ACN 612 836 567 and Controlled Entities**

**Independent Auditor's Report to the Members of
YC Group Australia Limited and Controlled Entities**

Auditor's Responsibility for the Audit of the Financial Report Continued ...

in internal control that we identify during our audit.

FORTUNITY ASSURANCE

T R Davidson
Partner

Registered Association Auditor No: 1177

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Dated:





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