

SYDNEY MONTESSORI SOCIETY
(A Company limited by Guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016

SYDNEY MONTESSORI SOCIETY
(A Company Limited by Guarantee)
A.C.N 001 265 738

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 2016

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DIRECTORS' REPORT

DIRECTORS

The Directors are pleased to present their report together with the audited Financial Statements of Sydney Montessori Society for the year ended 31 December 2016. The names of the Directors in office of this report are:

	<u>Date Appointed</u>	
Bradley Chan	20/02/2013	Chairman
Anche Van Ede	30/04/2015	Human Resources
Winsey Wang	26/04/2016	Vice Chair
Brian Nizette	17/02/2015	Secretary
Kat Dimarco	26/04/2016	Public Relations
James Mak	26/04/2016	Treasurer

	<u>Date Appointed</u>	<u>Date Resigned</u>
Han Fei Zhang	19/05/2015	30/04/2016
Louise Lecuna	30/04/2014	15/03/2016
Caroline McKeown	17/02/2015	18/10/2016

Information on Directors

Bradley Chan – Chairman

Qualifications – B App Sc (Land Econ) Grad Dip App Fin Inv, MPlan, MReal Estate GAICD Experience.

Brad is CEO of the Banana Property Group, a diversified property group with assets predominately around metropolitan Sydney. His Background covers many aspects of property including valuation, development, town planning and management. Brad is also actively involved in a number of other committees and advisory boards and is the immediate Past President of the Haymarket Chamber of Commerce.

Special Responsibilities – Chair the school council

Anche Van Ede – Human Resources

Qualifications – MBA, Masters Diploma in HR Management as well as a BSOCS degree.

Anche has more than 20 years' experience in the people field. Before moving to Sydney in October 2014 Anche worked as an independent HR and ODD consultant in South Africa. She is passionate about aligning HR. strategy with Business Strategy and has been hands-on in several HR. change management projects during mergers and acquisitions. Her husband and her two children aged 2 and 4 keep her firmly on the ground especially the playground.

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James Mak – Treasurer

Qualifications – B Com (Accounting and Finance). Full member of CPA Australia.

Experience – Currently the System Accountant of the largest parking provider in Australia. Previously the Group Accountant of the largest strata company in Australia.

Special Responsibilities – Maintaining the financial records of the school and preparation of Financial Statements for council meetings; preparation for financial audit.

Winsey Wang – Projects

Qualifications – Bachelor’s degree in Software Engineering.

Experience – Currently a Projects Resourcing and Delivery manager at Transport for NSW. With over 10 years of project management experience in telecommunications supply chain and transport industries. Currently involved in transforming and consolidating shared services within the NSW transport cluster.

Special responsibilities – Projects

Kat Dimarco – Public Relations

Qualifications – Holds a license in Property Real Estate and is the founder of the website Mummy Madness.

Special Responsibilities – Website, fundraising and public relations.

Brian Nizette – Secretary

Qualifications – B Comm.

Experience – Brian is a Qualified Chartered Accountant working primarily in the IT industry. He has been a director of his own chartered accounting firm, a registered club, a child care centre, and multiple local and multinational commercial enterprises. He worked as consultant, CFO & Board strategist to assist in building businesses for growth, trade sale and stock exchange listing. Brian is a member of the Institute of Chartered Accountants and is a Registered Tax Agent and Registered ASIC Agent.

Special Responsibilities – Co-ordination of council meetings and annual reviews. Keeping records of meeting minutes and being the key contact for ASIC with related updates; Ensuring that the school is on a sound financial footing and that appropriate risk management and financial controls are implemented.

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Meetings of Directors

During the financial year, nine meetings of Directors were held. Attendance by each Directors was as follow:

Name of Director	Number eligible to attend	Number attended
Bradley Chan	9	8
Brian Nizette	9	9
Anche Van Ede	9	8
James Mak	8	6
Winsey Wang	8	6
Kat Dimarco	8	7
Caroline McKeown	8	7
Louise Lecuna	1	1
Han Fei Zhang	2	2

Objectives and Priorities

The vision of the School is to realise the potential in each child by developing independence, adaptability and a passion for learning. The objectives include providing high quality education consistent with Montessori methods for the local community within an effective physical environment in a financially sustainable manner.

The current priorities (both short and long term) are centred on ensuring strong student enrolments, ensuring staff capacity and development, as well as continued building improvements.

Principal Activities

The principal activity during the year was the operation of a school providing a Montessori education for 3-6 years old children. The school also did fundraising and planning for future premises, the income from which has been taken up in the building fund.

Performance Measurement

The school uses a variety of quantitative and qualitative key performance indicators including feedback from parents, formal staff review, reviews by Community Services and the Board of Studies, financial surplus and fundraising targets.

Operating Results

The net loss amounted to \$76,332 (2015: \$82,342 Loss). Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in the Financial Statements as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

Events Subsequent to Balance Date

Since the end of the financial year, the Directors are not aware of any matter or circumstances not otherwise dealt with in the report.

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**AUDITORS INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATES ACT 2001
TO THE DIRECTORS OF SYDNEY MONTESSORI SOCIETY**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, there have been:

1. No Contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Clarence Assurance

Name of Principal: Graeme Keith Day

Signature: _____ Date: _____

Address: Level 11, 65 York Street, Sydney NSW 2000

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
Revenue	3	378,901	404,120
Expenses, excluding finance costs	2	(455,233)	(486,462)
Finance costs		<u>0</u>	<u>0</u>
Profit/ (Loss) before tax		(76,332)	(82,342)
Income tax expense	1(a)	<u>0</u>	<u>0</u>
Profit/ (Loss) for the year attributable to the Members		(76,332)	(82,342)
Other comprehensive income		<u>0</u>	<u>0</u>
Profit/ (Loss) and other comprehensive income for the Year attributable to members		(76,332)	(82,342)

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash	4	476,830	486,007
Receivables	5	13,395	6,540
Other	6	<u>12,526</u>	<u>20,316</u>
TOTAL CURRENT ASSETS		<u>502,751</u>	<u>512,863</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	<u>64,186</u>	<u>73,635</u>
TOTAL NON-CURRENT ASSETS		<u>64,186</u>	<u>73,635</u>
TOTAL ASSETS		566,937	586,498
CURRENT LIABILITIES			
Creditors and other payables	8	206,077	132,605
Provisions	9	<u>41,886</u>	<u>58,587</u>
TOTAL CURRENT LIABILITIES		<u>247,963</u>	<u>191,192</u>
TOTAL LIABILITIES		247,963	191,192
NET ASSETS		318,974	395,306
MEMBERS' FUNDS		318,974	395,306

The accompanying notes form part of the Financial Statements

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Ordinary	Retained	Asset Revaluation	Total
	\$	Earnings	Reserve	\$
	\$	\$	\$	\$
Balance as at 01/01/2015		477,648		477,648
Profit/ (Loss) attributable to Members		(82,342)		(82,342)
Transfers to and from Reserves				
Transfers to and from Retained earnings				
Balance as at 31/12/2015		395,306		395,306
Profit/ (Loss) attributable to Members		(76,332)		(76,332)
Transfers to and from Reserves				
Transfers to and from Retained earnings				
Balance as at 31/12/2016		318,974		318,974

The accompanying notes form part of the Financial Statements

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		\$	\$
Cash flows from operating activities			
<i>Receipts</i>			
Fees, forfeited security deposits		267,382	218,380
Interest received		4,283	8,060
Other -Transfers from Building Fund (Rent), Donations		10,935	40,144
<i>Cash flows from government</i>			
Receipts of subsidies		97,236	137,536
<i>Payments</i>			
Wages and salaries		(341,226)	(375,372)
Suppliers and others		<u>(37,107)</u>	<u>(115,853)</u>
Net cash (used in)/received in operating activities	2	<u>1,503</u>	<u>(87,105)</u>
Cash flows used in investing activities			
Payments for purchase of property, plant and equipment		(10,680)	(100,018)
Cash at the beginning of the financial year	1	<u>486,007</u>	<u>586,025</u>
Cash at the end of the financial year		476,830	486,007

Notes to the statement of cash flows

1. Reconciliation of cash
For the purposes of the Cash Flow Statement, cash includes cash on hand and cash at bank.

2. Reconciliation of net cash (used)/received in operating activities to operating profit:

	2016	2015
	\$	\$
Operating profit (loss) before income tax	(76,332)	(82,342)
Depreciation – non cash	1,253	1,887
Amortisation of improvements – non cash	18,876	16,976
(Increase)/Decrease in receivables	(6,855)	(880)
(Increase)/Decrease in other current assets	7,790	(4,733)
(Increase)/Decrease in other non-current assets		
Increase/ (Decrease) in creditors and borrowings	73,472	(33,261)
Increase/ (Decrease) in provisions	<u>(16,701)</u>	<u>15,248</u>
Net cash (used in)/received in operating activities	1,503	(87,105)

3. Tax Status
The activities of the entity are exempt from taxation.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The Directors have determined that the Company is not a Reporting Entity.

The Financial Statements are a Special Purpose Financial Report prepared in order to satisfy the financial reporting requirements of the Company and the needs of the Members.

The Financial Statements cover The Sydney Montessori Society and the Sydney Montessori Society School Building Fund as separate entities. The Sydney Montessori Society is a Company Limited by Guarantee, incorporated and domiciled in Australia.

The Financial Statements have been prepared in accordance with the requirements of the following Australian Equivalents of International Financial Reporting Standards (AIFRS) and the Corporations Act in so far as they are applicable to Non-Reporting Entities.

AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates & Errors
AASB 110	Events after the Balance Sheet Date
AASB 116	Property Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 124	Related party Disclosures
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 1004	Contributions
AASB 1031	Materiality
AASB 1048	Interpretation and application of standards
AASB 1054	Australian additional disclosures

No other Australia Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been specifically applied.

The Financial Statements have been prepared on the basis of a Going Concern and on an accruals basis; are based on historic costs and do not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the Financial Statements These policies have been consistently applied.

(a) Income Tax

The Company is exempt from taxation under Section 51 of the Income Tax Assessment Act.

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1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) Property, Plant & Equipment

Property, plant and equipment are included at cost or at independent or Directors' valuation. The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the useful lives commencing from the time the asset is ready for use, at rates approximating 5% on a prime cost basis. Leasehold improvements, as show at Note 7 of the Financial Statements, relate to the refurbishment of the property at Cressy Road, North Ryde. Contributions received for no or a nominal value are recognised at their fair value on acquisition date as an asset in the Balance sheet and as revenue in the Statement of Profit or Loss and Other Comprehensive Income.

(c) Member's Equity

The Sydney Montessori Society was incorporated as a Company limited by guarantee on 20 November 1974. Pursuant to the Company's memorandum of association, every member has undertaken, in the event of a deficiency or winding up, to contribute an amount not exceeding \$50.

(d) Industry & Geographical Segments

The Company operates wholly within Australia in the industry of school and kindergarten education.

(e) Employee Benefits

Provision is made in respect of the Company's liability for long service leave at balance date. Long service leave is accrued in respect of employees with more than 1 year of service with the Company. Untaken annual leave entitlements (if any) are provided for.

(f) Revenue

Government grants (Contributions) from NSW Community Services and the Board of Studies are recognised in the Balance Sheet and Statement of Profit or Loss and Other Comprehensive Income at fair value when the Company obtains control of the contribution or the right to receive the contribution; it is probable the economic benefits comprising the contribution will flow to the entity; and the amount can be measured reliably. Recognition of Revenue received in advance (Government Grants, Tuition Fees, and Membership Fees) is deferred in the Balance Sheet.

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1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(g) 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. 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 Balance sheet are shown inclusive of GST.

(h) Stock on Hand

Stock on hand is measured at cost less provision for loss of service potential. Provision is made in the period in which obsolete and slow moving stock is identified.

(i) Related Party Transactions

No transactions occur with Directors or other Related Parties requiring disclosure in these Financial Statements.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments including any guaranteed residual values. Lease payments are allocated between the reduction of the leased liability and the lease interest expense for the period. Lease assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments from operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Economic Dependence

The Company is dependent on Government Subsidies for a material part of its revenue. At the date of these Financial Statements, the Directors have no reason to believe that Governments will not continue to support the Company.

(l) Creditors and other payables

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

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1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents included cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

(n) Receivables and prepayments

Receivables include amounts due from parents for services provided. Prepayments represent amounts paid by the Company at the end of the reporting period for goods and services yet to be received. Receivables and prepayments are expected to be collected/realised within twelve months from the end of the reporting period. The balance is recognised as a current asset.

(o) Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. After testing, any excess of the asset's carrying value over its recoverable amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(p) Critical accounting estimates and judgments

The Company evaluates estimates and judgments incorporated into the Financial Statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company

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2. OPERATING PROFIT/(LOSS)

The operating profit/ (loss) before income tax includes the following items of revenue and expense:

	2016	2015
	\$	\$
EXPENSES		
Amortisation of improvements	18,876	16,976
Auditor's remuneration – fees*(paid or accrued)	6,463	5,500
Bad debts		
Classroom and cleaning	20,409	19,466
Depreciation of plant and equipment	1,253	1,887
Employee costs	357,927	360,124
Fundraising, Grants & Donations (shown in building fund)		
Insurance – Childcare, Directors and Officers	8,173	8,040
Other	19,847	18,832
Provision for long service leave -net	(16,701)	15,248
Provision of stock obsolete		(196)
Rent and Rates	33,628	35,531
Utilities	<u>5,358</u>	<u>5,054</u>
TOTAL EXPENSES	455,233	486,462

No Director received remuneration during the year.

* A further \$909 (2015: \$909) was paid to the auditors in relation to the Board of Studies Per Capita Allowances, excluding gst.

3. OPERATING REVENUE

INCOME		
Donation	0	144
Enrolment fees	3,511	1,536
Forfeited security deposits	12,550	19,000
Fundraising proceeds (shown in building fund)		
Government subsidies Dept. ED & PDSP	82,498	95,884
Government subsidies – Board of Studies	14,738	18,124
Interest received	4,283	8,060
Maternity Leave – Centre Link		23,528
Membership fees	3,890	3,360
Other income		
Transfer from building fund for rent	10,000	40,000
Tuition & other fees	<u>247,431</u>	<u>191,484</u>
TOTAL OPERATING REVENUE	378,901	404,120

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	2016	2015
	\$	\$
4. CASH		
Cash on hand	200	200
Cash at bank	<u>476,630</u>	<u>485,807</u>
TOTAL	<u>476,830</u>	<u>486,007</u>
5. RECEIVABLES		
Current		
Tuition fees receivable	<u>13,395</u>	<u>6,540</u>
TOTAL	<u>13,395</u>	<u>6,540</u>
6. OTHER ASSETS		
Current		
Board of Studies funding due		
Prepayments	11,860	18,850
Other Debtors		800
Stock on Hand (At cost less provision 2016:\$3,053 2015:\$3,286)	<u>666</u>	<u>666</u>
TOTAL	<u>12,526</u>	<u>20,316</u>
7. PROPERTY PLAN AND EQUIPMENT		
Plant and equipment at cost	44,836	44,155
Less: Accumulated depreciation (Depreciation of \$1,253 was charged. 2015: \$1,887)	<u>(40,351)</u>	<u>(39,068)</u>
	<u>4,485</u>	<u>5,087</u>
Leasehold improvements at cost	320,358	310,359
Less: Accumulated amortisation	<u>(260,657)</u>	<u>(241,781)</u>
	<u>59,701</u>	<u>68,578</u>
\$9,998 leasehold improvements were purchased (2015: \$10,887) (Amortisation of \$18,876 was charged. 2015: \$16,976)	<u>64,186</u>	<u>73,635</u>
8. CREDITORS & OTHER PAYABLES		
Current		
Trade creditors, accruals and clearing accounts	31,294	15,722
Government funding in advance	13,958	17,324
Tuition fees in advance	55,890	30,000
Membership fees in advance	2,000	1,200
Net GST payable	3,786	3,488
Amount due to Building Fund	30,549	19,871
Refundable security deposits	<u>68,600</u>	<u>45,000</u>
TOTAL	<u>206,077</u>	<u>132,605</u>

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	2016	2015
	\$	\$
9. PROVISIONS		
Current		
Provision for long service leave	41,886	58,587
During the year \$25,133 of the provision was used and \$8,412 raised.		

10. COMMITMENTS FOR CAPITAL EXPENDITURE AND OPERATING LEASES

Non-cancellable operating leases contracted for but not capitalised in the Financial Statements:

Commitments arising from the License Agreement with the Council of Ryde as referred to in the narrative.

Payable

Not later than 1 year	32,500	32,500
Later than 1 year but not later than 5 years	81,250	113,750
Later than 5 years	<u>113,750</u>	<u>146,250</u>

A License Agreement was signed in June 2015 with The Council of City of Ryde for a 5-year term leased, commencing 2 June 2015, at the current location of 109 Cressy Road North Ryde, NSW 2113, for a License Fee of \$32,500 per annum, plus GST.

The License Fee is subject to increase by the current Local Government Cost Index (LGCI).

11. CONTINGENT LIABILITIES

The Company had no contingent liabilities at Balance Date.

12. CAPITAL MANAGEMENT

The Company's capital consists of its financial assets less its financial liabilities.

Directors control the capital of the Company to ensure that adequate cash flows are generated to fund its programs and ensure that the overall risk management strategy is in line with this objective. Risk management practices included a late fee policy and regular analysis of profitability and future cash flow requirements.

Directors manage the Company's capital by assessing its financial risks and responding to changes in these risks and in the market. These responses may include the consideration of tuition fee levels.

The strategy of the Company in managing its future cash flow requirements is to ensure that sufficient cash is on hand to meet employee costs and to pay trade and other payables.

There have been no changes to the strategy adopted to control the capital of the Company since prior year and the Company continues to have no net debt.

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13. ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

The following accounting standards have been issued or amended and are applicable to the Company unless otherwise shown, but are not yet effective and have not been adopted in the preparation of these Financial Statements.

The Australian Accounting Standards Board (AASB) has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future periods. The Entity has decided against early adoption of these Standards and Interpretations.

AASB Amendment	Standards Affected	Application Date of Standard. Accounting periods commencing on or after:
AASB 9: Financial Instruments and AASB 2010 – 7: AASB 2016-6. Amendments to Australian Accounting Standards arising from AASB 9 ¹	AASBs 1,3,4,5,7,101,102,108,112,118,120, 121,127,128,132,136,137, 139, and Interpretations 2,5,10,12,16,19,107 and 127	1 January 2018
AASB 15 ² : Revenue from Contracts with Customers; AASB 2014-5; AASB 2015-8	AASB 111, 118, 1039 & 1053	1 January 2018
AASB 16: Leases ³	AASB 117	1 January 2019
AASB 1056: Superannuation Entities ⁴	AAS 25 Financial Reporting by Superannuation Plans	1 July 2016#
AASB 1058 ⁵	AASB 15, AASB 116	1 January 2019
AASB 2010 -7 ⁶	AASBs 1,3,5,7,101,102,108,112,118,120, 121,127,128,132,136,137,139, 1023,1038 and Interpretations 2,5,10,12,16,19,107 & 127	1 January 2018
AASB 2014-1 ⁷	AASB 1,9,108 & 1031	Part E: 1 January 2018
AASB 2014-7 ⁸	AASB 9,108,110,123,128 & 133	1 January 2018
AASB 2015-6 ⁹	AASB 10,124 & 129	1 July 2016

13. ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

AASB Amendment	Standards Affected	Application Date of Standard. Accounting periods commencing on or after:
AASB 2015-7 ¹⁰	AASB 13 & 16	1 July 2016
AASB 2016-1 ¹¹	AASB 112	1 January 2017
AASB 2016-2 ¹²	AASB 107	1 January 2017
AASB 2016-3 ¹³	AASB 15	1 January 2018
AASB 2016-4 ¹⁴	AASB 136 (Not-for –profit Entities only)	1 January 2017
AASB 2016-5 ¹⁵	AASB 2	1 January 2018
AASB 2016-7 ¹⁶	AASB 15	1 January 2019
AASB 2016-8 ¹⁷	AASB 1058	1 January 2019
AASB 2017-1 ¹⁸	AASB 1, 128, 140	1 January 2018
AASB 2017-1 ¹⁹	AASB 12	1 January 2017

Notes:

1. These standards are intended to improve and simplify the approach for classification, measurement, recognition and de-recognition of financial instruments and included new requirements for impairment testing of financial assets.
2. These Standards comprehensively reform the reporting of the nature, amount, timing and uncertainty of revenues and cash flows. For Not-for-Profits, the Standards apply to Exchange transactions only.
3. The Standard requires Lessees to recognise assets and liabilities for rights and obligations created by leases, without distinguishing between Financing and Operating Leases.
4. AASB 1056 replaces AAS 25 *Financial Reporting by Superannuation Plans*, issued in 1993 and has been developed in light of significant changes in recent years, including developments in the superannuation industry, Australia’s adoption of IFRS, and deficiencies in AAS 25 and makes the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

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5. AASB 1058 applies to Not-For-Profit entities with transactions to acquire assets at significantly less than fair value, primarily to further its objectives; and with volunteer services where the accounting treatment will be elective.
6. This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issue of AASB 9: Financial Instruments in December 2010.
7. This is an omnibus Standard comprising 5 parts with their own application dates: Part “B” AASB 119 concerning Defined Benefit Plans; Part “C” Materiality – refer AASB 1031; Part “D” Regulatory Accounts – Not Applicable; and Part “E” Financial Instruments – refer AASB 9.
8. This Standard gives consequential effect and makes editorial corrections to the amended AASB 9, December 2014 version.
9. The Standard extends Related Party disclosures to the Not-for-Profit Public (Government) sector and is not relevant.
10. The Standard extends Fair Value Party disclosures to the Not-for-Profit Public (Government) sector and is not relevant.
11. AASB 2016-1 clarifies the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.
12. AASB 206-2 requires Cash Flow Statements to provide disclosures of changes in liabilities from financing activities, including cash and non-cash movements.
13. AASB 2016-3 amends AASB 15, Revenue from Contracts, to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a license.
14. AASB 2016-4 applies to Not-for-Profit entities only: removes references to depreciated replacement cost as a measure of value in use; and clarifies that the recoverable amount of primarily non-cash-generating specialised assets held for continuing use is expected to be materially the same as fair value determined under AASB 13, so that AASB 136 (Impairment) does not apply to such assets regularly revalued to fair value under the revaluation model.
15. AASB 2016-5 clarifies the measurement and classification of Share Based Payment transactions.
16. AASB 2016-7 defers the application of AASB 15 to Not-For-Profit entities having regard to AASB 1058.
17. This Standard provides implementation guidance relating to AASB 1058.
18. This Standard provides clarification on the transfer of Investment Properties.
19. This Standard amends disclosures relating to Interests in Other Entities.

not applicable to the entity

No other known or reliable estimable information relevant to assessing the possible impact of these Standards on the Entity is presently available, though it is anticipated that there will be no direct impact on the recognition and measurement criteria of amounts included in the Financial Statements.

14 MEMBERS GUARANTEE

The Sydney Montessori Society was incorporated as a Company limited by guarantee on 20 November 1974, to carry on the activities previously carried out by the Sydney Montessori Society. Pursuant to the Company’s memorandum of association, every member has undertaken, in the event of a deficiency or winding up, to contribute an amount not exceeding \$50. The total maximum members’ liability on winding up is \$1,350, based on 27 members.

SYDNEY MONTESSORI SOCIETY
(A Company Limited by Guarantee)
A.C.N 001 265 738

15 EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the balance date, which may affect either the operations or results of the operations of the Company.

The Financial Statements were authorised for issue by the Directors on the date shown in the Statement by Directors.

16 ENTITY DETAILS

The registered office of the Company is:
109 Cressy Road, North Ryde NSW 2113

The principal place of business is:
109 Cressy Road, North Ryde NSW 2113

The trading name of the business is:
The Children's House Montessori School.

STATEMENT BY DIRECTORS

The Directors have determined that the Company is not a reporting entity and that these Financial Statements should be prepared in accordance with the accounting policies described in note 1.

In the opinion of the Directors of the Company:

1

- (a) The Statement of Profit or Loss and Other Comprehensive Income gives a true and fair view of the Company's profit or loss for the financial year ended 31 December 2016.
- (b) The Balance Sheet gives a true and fair view of the Company's state of affairs as at the end of the financial year.

2 At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The Financial Statements and Notes satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

This statement is made in accordance with a resolution of the Responsible Entity, being the Board of Directors and is signed for and on behalf of the Directors by:

Bradley Chan (Chairperson): _____

James Mak (Treasurer): _____

Sydney 2017

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SYDNEY MONTESSORI SOCIETY
(A Company limited by guarantee) (Page 1 of 3)**

Scope

We have audited the accompanying Financial Statements, being a Special Purpose Financial Report of Sydney Montessori Society ("the Company"), which comprises the Balance Sheet as at 31 December 2016 and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a Summary of Significant Accounting Policies, other explanatory Notes and the Directors' Declaration.

Qualified Audit Opinion

In our opinion, except for the effects on the Financial Statements of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed, the Financial Statements present fairly in accordance with the accounting policies described in Note 1 to the Financial Statements, the financial position of the Sydney Montessori Society as at 31st December, 2016, and the results of its operations and its cash flows for the year then ended and complies with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012.

Basis of Qualified Opinion

Donations and Fundraising activities form part of the revenue for the Company, which has determined that it is impracticable to establish controls over the collection of such monies prior to entry into its financial records. Accordingly, as the evidence available to us regarding these sources of revenue was limited, our procedures with respect to these revenues had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether such revenues obtained by the Company are complete.

Directors' Responsibility for the Financial Statements

The Directors' of the Company are responsible for the preparation and fair presentation of the Financial Statements and have determined that the accounting policies described in Note 1 to the Financial Statements are appropriate to meet the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and the needs of the Members. The Directors' responsibility includes implementing and maintaining internal controls they determine are necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. We have nothing to report in this regard.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SYDNEY MONTESSORI SOCIETY**

(A Company limited by guarantee) Continued. Page 2 of 3

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

The Directors are responsible for any other information included in the Financial Report which is not covered by our Auditor's Report and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit our responsibility is to read such other information and consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report to the Members that includes our opinion based on our audit and based on the accounting policies adopted by the Directors' as set out in Note 1. These policies do not require the application of all Australian Accounting Standards. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements. As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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(A Company limited by guarantee) Continued. Page 3 of 3**

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 previously provided to the Directors of the Company would be in the same terms if provided as at the date of this Auditor's Report.

Basis of Accounting

Without further modifying our opinion, we draw attention to Note 1 of the Financial Statements, which describes the basis of accounting. The Financial Statements have been prepared for distribution to Members for the purpose of fulfilling the Directors' Financial Reporting responsibilities including those under Division 60 of the Australian Charities and Not-for-profits Commission Act 2012. As a result, the Financial Statements may not be suitable for other purposes. Accordingly we disclaim any assumption of responsibility for any reliance on this Report or on the Financial Statements to which it relates to any other persons, or for any purpose other than that for which it was prepared.

Name of Principal: Graeme Keith Day

Member, Chartered Accountants, Australia & New Zealand

Registered Company Auditor: 2268

Name of Firm: Clarence Assurance

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Date: 2017

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Practitioner: Graeme Keith Day. BEc. FCA. ACIS. JP (NSW).

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