2017 FINANCIAL STATEMENT

THE AUSTRALIAN KIDNEY FOUNDATION

T/A KIDNEY HEALTH AUSTRALIA

ABN 37 008 464 426

31 DECEMBER 2017

Kidney Health® Australia

OUR VISION

TO **SAVE** AND **IMPROVE** THE LIVES OF AUSTRALIANS AFFECTED BY KIDNEY DISEASE.

OUR MISSION

TO PROMOTE GOOD KIDNEY HEALTH THROUGH **EDUCATION**, **ADVOCACY**, **RESEARCH** AND **SUPPORT**.

CONTENTS

DIRECTORS' REPORT

For the year ended 31 December 2017

1. DIRECTORS

The Directors present their report together with the financial statements and the auditor's report of The Australian Kidney Foundation ("Company") trading as Kidney Health Australia ("KHA") , for the financial year ended 31 December 2017.

Current directors

The names of each person who has been a director during the year and to the date of this report are:

Information regarding our Directors can be found in our Annual Review. All members of the Board, Finance, Audit, Risk & Compliance Committee, volunteer their services to the Company and receive no remuneration.

	Date appointed	Date cessation
Current		
Prof Carol Pollock (Chair from December 2017)	01 Dec 2014	-
Sally Farrier	01 Jun 2017	-
Peter Haddad	01 Jun 2017	-
Peter Hartshorne (Chair of Finance, Audit and Risk Committee)	01 Apr 2008	-
David Morgan (Chair until December 2017)	01 Dec 2014	-
David Parker	01 Apr 2010	-
Monojit (Mono) Ray	01 Jun 2017	-
Rhonda Renwick	01 Jun 2017	-
Retired directors		
Prof Jonathan Craig	01 Dec 2011	01 Jun 2017
Vincent Harink	01 Dec 2004	01 May 2017
Graeme Holmes	01 May 2007	01 May 2017
Peter Mitchell	01 May 2007	01 May 2017

DIRECTORS' REPORT

For the year ended 31 December 2017

2. DIRECTORS' MEETINGS

The number of directors' meetings and sub-committee meetings attended and eligible to attend by each of the directors of the Company during the financial year were:

	Board		Finance, Audit and Risk Committee	
	A	B	A	B
Current				
Prof Carol Pollock	13	14	-	-
Sally Farrier	9	10	6	7
Peter Haddad	10	10	-	-
Peter Hartshorne	13	14	12	12
David Morgan	14	14	-	-
David Parker	11	14	-	-
Monojit Ray	9	10	7	7
Rhonda Renwick	9	10	-	-
Retired				
Prof Jonathan Craig	5	5	-	-
Vin Harink	2	4	3	5
Graeme Holmes	3	4	4	5
Peter Mitchell	3	4	-	-

A *number of meetings attended*
B *number of meetings eligible to attend*

3. PRINCIPAL ACTIVITIES

The Company is a not-for-profit public company limited by guarantee, established as a charity. The Company is approved as a deductible gift recipient and registered with the Australian Charities and Not-for-Profits Commission. It is the peak Australian charitable organisation focusing on kidney disease.

KHA is dedicated to helping people with kidney disease by improving their health outcomes and enhancing their quality of life and those of their families and carers. Amongst other things, KHA works to advance the public benefit by improving awareness, detection, prevention and management of kidney disease.

4. REGISTERED OFFICE

The registered office of the KHA is 125 Cecil Street, South Melbourne VIC 3205.

5. CHIEF EXECUTIVE OFFICER

Dr. Lisa Murphy was appointed Interim Chief Executive Officer in December 2017. She succeeded Ms. Mikaela Straface who was appointed CEO in September 2016, and resigned December 2017.

6. CHIEF FINANCIAL OFFICER

Mr. Mark Jowett was appointed Chief Financial Officer and Company Secretary in November 2017. He succeeded Ms. Rosanna Caré who was in both roles from April 2010 to October 2017.

7. FINANCIAL YEAR

KHA's financial year is 1 January to 31 December.

DIRECTORS' REPORT

For the year ended 31 December 2017

8. OPERATING AND FINANCIAL FOCUS

KHA's focus was on providing support for kidney patients and their families as well as providing kidney health related education and guidelines for patients, health care professionals and carers including indigenous communities. Research and being the lead community voice on kidney health also formed an important part of activities.

Programmes such as the Kidney Kids' Camp and the Big Red Kidney Bus holiday dialysis program brought relief and help for people with kidney disease, their families and carers. Continuing the acquisition of accommodation for KHA's Transplant Housing program promises to deliver even more for rural, regional and interstate transplant recipients. KHA also started establishing new government and corporate relations in 2017.

The operational focus was about stabilising KHA and improving income streams, making KHA more efficient and sustainable. The Company commissioned an operational review of KHA which will help prioritise goals in years to come. There was continued focus on improving its charitable lotteries operations. Developing new and sustainable sources of income was a priority to help boost services in future years. KHA continued to improve processes and rationalise costs in 2017 to stabilise financial outflows and increase revenue.

The result for the year (after grant allocations) was an improvement on 2016, with an operating loss of $455,306 compared to an operating loss of $652,700. At 31 December 2017, the Company had 58.34 FTE employees (31 December 2016: 62.01 FTE employees).

9. OBJECTIVES AND STRATEGIES

Objectives

KHA's Mission is to promote good kidney health through education, advocacy research and support.

KHA's Vision is to save and improve the lives of Australians affected by kidney disease.

Goals and Strategies

The KHA's goals in 2017 continued to be:

- Increasing community/stakeholder engagement
- Sharing knowledge and information with patients, carers and medical professionals
- Increased support to and connection with people impacted by kidney disease
- Improving KHA's ability to connect with supporters through technology
- Evolving data management and improving consumer privacy to best practice
- Stabilising operations and lotteries income.

In 2017 KHA began reviewing its long term goals to take into account:

- challenges facing people affected by kidney disease; and
- the opportunities and challenges faced by KHA in a more competitive and rapidly changing not-for-profit operating environment.

A long term strategic review of KHA's priorities remains in line with its charitable objects. The Company expects that will be completed in 2018 together with the search for a permanent CEO.

10. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 34 and forms part of the directors' report for the year ended 31 December 2017.

11. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee. In the event of the company being wound up, the constitution states that each member is required to contribute a maximum of $10 towards meeting any outstanding obligations of the company.

Signed in accordance with a resolution of the directors:

Mr. Peter Jon Hartshorne
Director

Dated at Melbourne 4th May 2018.

FINANCIAL STATEMENTS

Statement of surplus and deficit and other comprehensive income

For the year ended 31 December 2017

The statement of surplus and deficit and other comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

	Note	2017 $	2016 $
Surplus and deficit			
Revenue and other income	4	9,346,328	12,092,449
Consulting fees		(436,646)	(528,137)
Depreciation and amortisation expenses	11,12	(320,688)	(397,908)
Research grant expenses		(85,815)	(203,919)
Lottery prizes expenses		(740,418)	(1,481,911)
Meeting and travel expenses		(95,468)	(88,921)
Meeting and travel program expenses		(170,040)	(295,083)
Occupancy and lease expenses		(815,784)	(846,372)
Employee expenses		(4,954,098)	(6,228,556)
Postage, freight and stationery expenses		(370,554)	(482,344)
Technology expenses		(413,231)	(436,234)
Telecommunications expenses		(204,242)	(211,615)
Other expenses	5	(1,360,919)	(1,688,246)
Results from operating activities		**(621,575)**	**(796,797)**
Finance income	10	187,880	175,251
Finance costs	10	(21,611)	(31,154)
Net finance income / (costs)		**166,269**	**144,097**
Income tax expense for the period	3(j)	-	-
(Deficit) for the year		**(455,306)**	**(652,700)**
Other comprehensive income			
Net change in fair value of financial securities	10	141,545	18,870
Net (loss) / gain on sale of investments recorded through equity	10	111,955	170,748
Other comprehensive income for the year		**253,500**	**189,618**
Total surplus and deficit and other comprehensive income for the year		**(201,806)**	**(463,082)**

FINANCIAL STATEMENTS

Statement of changes in equity

For the year ended 31 December 2017

	Note	General Reserve $	Revaluation Reserve $	Capital Profits Reserve $	Priscilla Kincaid-Smith Kidney Research Foundation $	Accumulated Surplus/(Deficit) $	Total $
Balance as at 1 January 2016		**1,138,909**	**339,931**	**185,136**	**2,572,916**	**-**	**4,236,892**
Total comprehensive income for the year							
Surplus for the year		-	-	-	-	(652,700)	(652,700)
Other comprehensive income							
Net change in fair value of financial securities	10	-	18,870	-	-	-	18,870
Net gain on sale of investments recorded through equity	10	-	-	170,748	-	-	170,748
Transfer from/(to) accumulated surplus/(deficit)		(652,700)	-	-	-	652,700	-
Total other comprehensive income		***(652,700)***	***18,870***	***170,748***	***-***	***652,700***	***189,618***
Total comprehensive income for the year		**(652,700)**	**18,870**	**170,748**	**-**	**-**	**(463,082)**
Balance as at 31 December 2016		**486,209**	**358,801**	**355,884**	**2,572,916**	**-**	**3,773,810**
Balance as at 1 January 2017		**486,209**	**358,801**	**355,884**	**2,572,916**	**-**	**3,773,810**
Total comprehensive income for the year							
(Loss) / Surplus for the year		-	-	-	-	(455,306)	(455,306)
Other comprehensive income							
Net change in fair value of financial securities	10	-	141,545	-	-	-	141,545
Net gain on sale of investments recorded through equity	10	-	-	111,955	-	-	111,955
Transfer from/(to) accumulated surplus/(deficit)		(455,306)	-	-	-	455,306	-
Total other comprehensive income		***(455,306)***	***141,545***	***111,955***	***-***	***455,306***	***253,500***
Total comprehensive income for the year		**(455,306)**	**141,545**	**111,955**	**-**	**-**	**(201,806)**
Balance as at 31 December 2017		**30,903**	**500,346**	**467,839**	**2,572,916**	**-**	**3,572,004**

FINANCIAL STATEMENTS

Statement of financial position
As at 31 December 2017

The statement of financial position and the statement of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

	Note	2017 $	2016 $
Assets			
Cash and cash equivalents	6	384,644	927,037
Other receivables	7	340,477	261,200
Inventory	8	4,737	8,916
Prepayments		284,733	347,359
Total current assets		**1,014,591**	**1,544,512**
Equity securities - Fair value through other comprehensive income	9	3,024,231	3,019,000
Prepayments		-	2,743
Property, plant and equipment	11	1,303,908	1,389,866
Intangibles	12	129,023	97,595
Total non-current assets		**4,457,162**	**4,509,204**
Total assets		**5,471,753**	**6,053,716**
Liabilities			
Trade and other payables	13	747,376	1,001,060
Employee benefits	14	317,864	511,194
Provisions	15	-	-
Deferred income		528,777	412,226
Total current liabilities		**1,594,017**	**1,924,480**
Trade and other payables	13	12,250	12,250
Employee benefits	14	31,679	52,962
Provisions	15	261,803	290,214
Total non-current liabilities		**305,732**	**355,426**
Total liabilities		**1,899,749**	**2,279,906**
Net assets		**3,572,004**	**3,773,810**
Equity			
Reserves	16	3,572,004	3,773,810
Total equity		**3,572,004**	**3,773,810**

FINANCIAL STATEMENTS

Statement of cash flows

For the year ended 31 December 2017

The statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

	Note	2017 $	2016 $
Cash flows from operating activities			
Cash receipts in the course of operations		9,314,127	11,823,913
Cash payments in the course of operations		(10,059,391)	(12,660,573)
Cash generated (used in)/from operations		(745,264)	(836,660)
Dividends received		110,732	111,109
Interest/Distributions received		77,149	64,142
Interest paid		(21,611)	(31,154)
Net cash from operations	**20**	**(578,994)**	**(692,563)**
Cash flows (used in)/from investing activities			
Acquisition of property, plant and equipment and intangibles		(281,144)	(214,557)
Proceeds from sale of investments		326,498	1,408,780
Acquisition of investments		(8,753)	(74,308)
Net cash (used in) investing activities		**36,601**	**1,119,915**
Cash flows (used in)/from financing activities			
Payment of financial lease liability		-	-
Net cash (used in) financing activities		**-**	**-**
Net (decrease)/increase in cash and cash equivalents		(542,393)	427,352
Cash and cash equivalents at beginning of period		927,037	499,685
Cash and cash equivalents at 31 December	**6**	**384,644**	**927,037**

Kidney Health® Australia

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 1: REPORTING ENTITY

The Australian Kidney Foundation ("Company") trading as Kidney Health Australia ("KHA") is domiciled in Australia. The address of the Company's registered office is 125 Cecil Street, South Melbourne, 3205. The Company is a not-for-profit entity and primarily involved in health education and support.

Details of the Company's accounting policies are included in Note 3.

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB's") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial report was approved by the Board of Directors on 4 May 2018.

(b) Basis of measurement

The financial report has been prepared on the historical cost basis except for the following:

- Equity securities - are measured at fair value through other comprehensive income.

The methods used to measure fair values are discussed further in Note 3(o).

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

In preparing the financial report, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial report is included in the following notes:

- Note 3(h) and Note 15 - provisions
- Note 3(d) and Note 19 - lease classification.

(Ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

- Note 3(f) and Note 17 - impairment.

(e) Change in accounting policy

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 3: Significant accounting policies to all periods presented in the financial report.

(i) Non-derivative financial assets

The Company has early adopted AASB 9 Financial Instruments (2010) with a date of initial application of 1 January 2012.

As a result, the Company has classified its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These changes in accounting policy are applied on a retrospective basis from 1 January 2012.

In accordance with the transitional provisions of AASB 9 (2010), the classification of financial assets that the Company held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this financial report, except for the changes in accounting policies as explained in Note 2(e).

Certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments

Non-derivative financial assets

The Company initially recognises financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through surplus or deficit, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Company subsequently measures financial assets at either amortised cost or fair value.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the asset. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9 (2010), the classification of financial assets that the Company held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company's policy on impairment of financial assets measured at amortised cost is the same as that applied in its financial statements as at and for the year ended 31 December 2016 for loans, receivables and investments.

Financial assets measured at fair value

For investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income.

For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to surplus or deficit and no impairments are recognised in surplus or deficit. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a repayment of part of the cost of the investment.

The fair value of equity instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in other comprehensive income. Investments classified as fair value are recognised/derecognised by the Company on the date it commits to purchase/sell the investments.

Share capital

The Company has no issued capital and is limited by guarantee. If the Company is wound up each member would have a liability of an amount not exceeding $10. Refer Note 24.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days and are stated at fair value. Term deposits maturing beyond 90 days are classified as investments.

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other expenses" in surplus and deficit.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect to internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in surplus and deficit, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

• Office furniture, equipment and motor vehicles	3 -15 years
• Leasehold property	9 - 15 years
• Buildings	40 years
• Under construction	N/A

Depreciation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate.

(c) Intangible assets

(i) Other intangible assets - Software

Other intangible assets that are acquired by the Company relate to the capitalisation of software, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in surplus and deficit when incurred.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Intangible assets (continued)

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software 2 - 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to control the use of the underlying asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(ii) Leased assets

Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(iii) Leased payments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are appointed between the finance expense and the reduction of the outstanding liability.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in-first-out principle. Costs includes expenditure incurred in acquiring the inventories, production and conversion on costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

(f) Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in surplus or deficit if the carrying amount of the non-financial asset(s) exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in surplus or deficit to the extent that an impairment loss was previously recognised in surplus or deficit.

The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment (continued)

(i) Non-financial assets (continued)

The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of assets is the greater of their net selling price and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows, value in use is the depreciated replacement cost of the asset concerned.

(ii) Non-derivative financial assets including receivables

Each financial asset apart from those classified at fair value through other comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s), that can be estimated reliably, had an impact on estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions or the disappearance of an active market for a security. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. An impairment loss can be reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and is recorded as an amortisation adjustment between face and maturity values over the remaining period to maturity.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined Contribution plans

A defined contribution plan is a retirement benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Other Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits including long service leave and annual leave other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. Re measurements are recognised in surplus and deficit in the period in which they arise.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Make good provision

A provision for make good is recognised when the Company has an obligation to restore its office premises to its original condition at the end of the lease period.

The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the reporting date. The amount of the provision for future make good costs is capitalised and is depreciated over the life of the lease.

(ii) Straight lining of leases

The straight lining of the operating lease expense incurred by the Company results in a provision which nets to nil by the end of the lease term.

(i) Revenue

Revenues are recognised at the fair value of the consideration received net of goods and services tax (GST).

(i) Fundraising income

Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, both in-kind revenue and an asset is recognised, at fair value, when the Company gains control of such assets and the value of the asset can be reliably measured.

(ii) Lottery income

Revenue from lottery ticket sales is recognised at the time the lottery is drawn.

(iii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(iv) Other Income

Other income comprises of revenue received from publications, sale of Kidney Smart products (Kidney Vital and Kidney Check) as well as other general income.

(v) Deferred income

Deferred income relates to monies received prior to the service being delivered by the Company.

(j) Income tax

The Company has been granted public benevolent institution status under the Income Tax Assessment Act and is exempt from income tax.

(k) Grant commitments

The Board of Directors annually determines the amount to be distributed as grants for medical research in the next calendar year.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2017, however the Company has not early applied the following new or amended standards in preparing theses financial statements.

- AASB 1058 Income for Not-for-Profits.

AASB 1058 Income for Not-for-profit Entities on the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligations is required. AASB 1058 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 1058.

- AASB 15 Revenue with Contracts with Customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue AASB 18. AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

- AASB 16 Leases.

AASB 16 Leases requires companies to bring most operating leases on-balance sheet from 1 January 2019. Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for the Company's 2019 financial statements. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(n) Financial risk management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- Credit Risk
- Liquidity risk
- Market Risk.

This note presents the information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout the financial report.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Finance, Audit and Risk ("FAR") Committee which is responsible for development and monitoring risk management policies. The FAR Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The FAR Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Operating segments

The Company operates in only one business segment (as a charity) and in one geographical segment (Australia).

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure.

The Company does not require collateral in respect of financial assets. The credit risk relating to the Company's financial assets which are recognised in the statement of financial position is the carrying amount of such assets, net of any allowances for impairment in respect of trade receivables and investments. Investments are allowed only in liquid securities and equity securities in Australian shares that are in compliance with the Company's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Company's financial assets have high credit quality. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was only Australia.

Other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each sponsorship agreement. Due to the nature of the Company's not-for-profit status there is only a minimal credit risk taken, and an unlikelihood of impairment losses.

Investments - liquid securities

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a strong credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Financial guarantees

The Company's policy is to provide financial guarantees only in relation to Lottery Licences. Details of outstanding guarantees are provided in Note 13.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, whilst optimising the return. The FAR Committee approves all the decisions related to market risk management and their investment objective is to maximise the long term growth of the portfolio.

Other market price risk

Equity price risk arises from the equity securities - fair value through other comprehensive income. Management of the Company monitor the mix of debt securities in its investment portfolio based on market indices. Material investments within the portfolio are managed by our Investment Manager, Perpetual Trustees Limited, under the auspices of the FAR Committee. The Board has approved the Asset Allocation of the investment portfolio. Perpetual Trustees Limited report to the FAR Committee on a six monthly basis.

The primary goal of the Company's investment strategy is to maximise investment returns in order to fund continuing operations; management is assisted by external advisers in this regard.

The Company does not enter into commodity contracts.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company.

There is no change to the Company's policy on capital management.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(ii) Equity and unit trust securities

The fair value of equity and unit trust securities is determined by reference to their quoted closing bid price at reporting date, or if unquoted determined by a valuation technique performed by the Fund Manager.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and distribution income. Interest income is recognised as it accrues in surplus and deficit. Dividend income and distribution income is recognised in surplus and deficit as the date the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, losses on disposal, impairment of financial assets (except trade receivables) and the unwinding of the discount on provisions.

NOTE 4: REVENUE AND OTHER INCOME

	2017 $	2016 $
Bequests	1,634,441	2,809,976
Donations and fundraising income	1,963,910	2,047,233
Other charitable income	1,707,869	1,658,245
Lottery ticket sale income	3,794,990	5,239,897
Government grants	31,400	56,452
Other income	213,718	280,646
	9,346,328	**12,092,449**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 5: OTHER EXPENSES

	2017 $	2016 $
Advertising expenses	31,539	73,408
Professional fees	104,447	113,371
Bank and merchant charges	123,180	85,194
Publication expenses	2,473	868
Insurance expenses	50,569	140,261
Legal expenses	268,109	96,062
Public awareness expenses	60,011	96,284
Net profit (loss) on disposal of property, plant and equipment	-	98
Other expenses	720,591	1,082,700
	1,360,919	**1,688,246**

NOTE 6: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Bank balances	219,053	327,037
Call deposits	165,591	600,000
Cash and cash equivalents in the statement of cash flows	**384,644**	**927,037**

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17. Its carrying value is equal to fair value.

NOTE 7: OTHER RECEIVABLES

	2017 $	2016 $
Current		
Other receivables	340,477	261,200
	340,477	**261,200**

The Company's exposure to credit risk and impairment losses related to other receivables are disclosed in Note 17. Its carrying value is equal to fair value.

The other receivables are net of impairment losses which amount to Nil (2016: Nil) recognised in the current year.

NOTE 8: INVENTORY

	2017 $	2016 $
Current		
Inventory	4,737	8,916
	4,737	**8,916**

During the year end 31 December 2017 changes in inventory included in 'other expenses' amounted to $52,050 (2016: $96,245). In 2017 the write-down of inventories to their net realisable value amounted to Nil (2016: Nil). The write-downs and reversals are included in 'other expenses'.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 9: EQUITY SECURITIES - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017 $	2016 $
Non-current investments		
Equity Securities - fair value through other comprehensive income	3,024,231	3,019,000
	3,024,231	**3,019,000**

The Company's exposure to interest rate risks relating to these investments is disclosed in Note 17. Its carrying value is equal to fair value.

Other market risk

Sensitivity Analysis – equity price risk

All the Company's equity investments are listed shares on the Australian Stock Exchange and managed funds. These equity investments represent $3,024,231 (2016: $3,019,000) as part of the total equity securities.

For such equity investments classified as fair value through other comprehensive income, a 10% percent increase in the ASX 500 at the reporting date would have increased equity by $302,423 (2016: an increase of $301,900). An equal change in the opposite direction would have decreased equity by $302,423 (2016: a decrease of $301,900). The analysis is performed on the same basis for 2016.

NOTE 10: FINANCE INCOME AND FINANCE COSTS

	2017 $	2016 $
Recognised in the comprehensive income statement		
Interest income on bank deposits	3,531	15,000
Interest income on equity securities financial assets	2,543	1,344
Dividend income on equity securities financial assets	110,732	111,109
Distribution income on equity securities financial assets	71,074	47,798
Reversal of impairment	-	-
Total finance income	**187,880**	**175,251**
Interest paid	(21,611)	(31,154)
Total finance costs	**(21,611)**	**(31,154)**
Net finance income/(costs)	**166,269**	**144,097**
The previous finance income and costs include the following in respect of assets (liabilities) not at fair value through the comprehensive income statement		
Total interest income on financial assets	6,074	16,344
Recognised in other comprehensive income		
Net change in fair value of equity securities financial assets	141,545	18,870
Net gain on sale of investments recorded through equity	111,955	170,748
	253,500	**189,618**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 11: PROPERTY PLANT AND EQUIPMENT

	2017 $	2016 $
Office furniture, equipment and motor vehicles	3,094,180	2,884,599
Accumulated depreciation	(2,330,044)	(2,155,069)
	764,136	**729,530**
Buildings	517,773	517,773
Accumulated depreciation	(44,766)	(31,821)
	473,007	**485,951**
Leasehold property	341,376	357,149
Accumulated depreciation	(274,611)	(260,623)
	66,765	**96,526**
Under construction	-	77,859
Accumulated depreciation	-	-
	-	**77,859**
Sub-total of fixed assets	**1,303,908**	**1,389,866**
Total property, plant and equipment - at net book value	**1,303,908**	**1,389,866**

Reconciliations

	2017 $	2016 $
Office furniture, equipment and motor vehicles		
Carrying amount at beginning of period	729,530	920,013
Re-classification	-	-
Additions	209,581	52,333
Disposals/write-downs	-	(359)
Depreciation	(174,975)	(242,457)
Carrying amount at end of period	**764,136**	**729,530**
Buildings		
Carrying amount at beginning of period	485,951	498,896
Re-classification	-	-
Additions at deemed cost	-	-
Disposals/write-downs	-	-
Depreciation	(12,944)	(12,945)
Carrying amount at end of period	**473,007**	**485,951**
Leasehold property		
Carrying amount at beginning of period	96,526	125,029
Re-classification	-	1,900
Additions	14,227	3,365
Disposals/write-downs	(14,985)	-
Depreciation	(29,003)	(33,768)
Carrying amount at end of period	**66,765**	**96,526**
Under construction		
Carrying amount at beginning of period	77,859	1,900
Re-classification	-	(1,900)
Additions	-	77,859
Disposals/write-downs	(77,859)	-
Depreciation	-	-
Carrying amount at end of period	**-**	**77,859**
Sub-total of fixed assets	**1,303,908**	**1,389,866**
Total property, plant and equipment - at net book value	**1,303,908**	**1,389,866**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 12: INTANGIBLE ASSETS

	2017 $	2016 $
Software at cost	1,565,594	1,430,400
Accumulated depreciation	(1,436,571)	(1,332,805)
	129,023	**97,595**

Reconciliations

Software		
Carrying amount at beginning of period	97,595	125,334
Re-classification	-	-
Additions	135,194	81,000
Disposals/write-downs	-	-
Amortisation	(103,766)	(108,739)
Carrying amount at end of period	**129,023**	**97,595**

NOTE 13: TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current		
Other trade payables	335,818	435,080
Non-trade payables and accrued expenses	411,558	565,980
	747,376	**1,001,060**
Non-current		
Non-trade payables and accrued expenses	12,250	12,250
	12,250	**12,250**

The Company's exposure to credit and liquidity risks related to trade and other payables is disclosed in Note 17. Its carrying value is equal to fair value.

The Company has Guarantee Facilities in favour of the WA Lotteries Commission secured by a guaranteed amount of $50,000 (2016: $50,000), Sabcom Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $36,455 (2016: $36,455) and CBRE Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $47,760 (2016: $47,760).

There have been no claims made which would require a drawdown of the guarantee facilities. Hence, there is no liability recognised at 31 December 2017.

NOTE 14: EMPLOYEE BENEFITS

	2017 $	2016 $
Current		
Liability for annual leave	147,268	206,219
Liability for long service leave	170,596	304,975
	317,864	**511,194**
Non-current		
Liability for long service leave	31,679	52,962
	31,679	**52,962**

(a) Defined contribution plans

The Company makes contributions to thirty nine defined contribution plans that provide pension benefits for employees upon retirement. The amount recognised as an expense was $426,297 for the year ended 31 December 2017 (2016: $486,023).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 15: PROVISIONS

	Make good $	Straight line lease $	Grant commitments $	Total $
Balance at 1 January 2016	142,309	131,619	12,500	286,428
Provisions made during the year	4,590	11,696	206,000	222,286
Provisions used during the year	-	-	(218,500)	(218,500)
Balance at 31 December 2016	**146,899**	**143,315**	**-**	**290,214**
Current	-	-	-	-
Non-current	146,899	143,315	-	290,214
	146,899	**143,315**	**-**	**290,214**
Balance at 1 January 2017	146,899	143,315	-	290,214
Provisions made during the year	-	-	-	-
Provisions used during the year	(22,917)	(5,494)	-	(28,411)
Balance at 31 December 2017	**123,982**	**137,821**	**-**	**261,803**
Current		-	-	-
Non-current	123,982	137,821	-	261,803
	123,982	**137,821**	**-**	**261,803**

Make good provision
The make good provision has been provided for the make good contractual obligation of all rental office premises across Australia.

Straight lining provision for operating leases
Operating lease straight line provision relates to recognising the rental expense for the Company's Melbourne and Adelaide offices over the life of each lease; which is 5 years.

Grants commitments provision
Grants committed relate to contractual obligations made by the Company which are legally enforceable and relate to the current periods operations.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 16: CAPITAL AND RESERVES

General Reserve

Relates to prior and current year surplus/deficits.

Revaluation Reserve

The revaluation reserve relates to the cumulative net change in the fair value of equity investments - fair value through other comprehensive income, and capital distributions.

The Priscilla Kincaid-Smith Kidney Research Foundation Reserve

The Priscilla Kincaid-Smith Kidney Research Foundation has been established by the Company to promote kidney research to save and improve the lives of Australians with kidney disease.

Capital Profits Reserve

This reserve relates to the cumulative net gains or losses from the sale of the equity investments.

KHA is a company limited by guarantee. Refer to Note 24.

NOTE 17: FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarised below:

	Note	2017 $	2016 $
Equity securities - fair value through other comprehensive income	9	3,024,231	3,019,000
Other receivables	7	340,477	261,200
Cash and cash equivalents	6	384,644	927,037
		3,749,352	**4,207,237**

At the balance sheet date there were no significant concentrations of credit risk. All exposure to credit risk was geographically confined to Australia.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 17: FINANCIAL INSTRUMENTS (continued)

Impairment losses

The Company's receivables primarily relate to sponsorship agreements and service income. The aging of the Company's receivables at the reporting date was:

	Gross 2017 $	Impairment 2017 $	Gross 2016 $	Impairment 2016 $
Not past due	299,410	-	220,134	-
Past due 30 days	16,500	-	16,500	-
Past due 60+ days	24,567	-	24,566	-
Total	**340,477**	**-**	**261,200**	**-**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 $	2016 $
Impairment losses - Trade receivables		
Balance at 1 January	-	-
Impairment loss recognised/(reversed)	-	-
Balance at 31 December	**-**	**-**

Management assessed that the impairment loss at 3 1 December 2017 of Nil (2016: Nil) relates to amounts owing by customers, deemed unrecoverable.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 17: FINANCIAL INSTRUMENTS (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% interest rates at the reporting date would have increased equity and the surplus and deficit by $3,846 (2016: $9,270). A decrease in the opposite direction would decrease equity and the surplus and deficit by $3,846 (2016: $9,270). The analysis is performed on the same basis as 2016.

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased equity and the surplus and deficit by $3,897 (2016: $4,194). A decrease in the opposite direction would decrease equity and the surplus and deficit by $3,897 (2016: $4,993). The analysis is performed on the same basis for 2016.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Note	Carrying Amount 2017 $	Contracted Amount 2017 $	Carrying Amount 2016 $	Contracted Amount 2016 $
Trade and Other Payables	13	759,626	759,626	1,013,310	1,013,310
Total		**759,626**	**759,626**	**1,013,310**	**1,013,310**

Interest rate risk

	2017 $	2016 $
Variable rate instruments		
Cash and cash equivalents	**384,644**	**927,037**
Fixed rate instruments		
Managed funds	**389,669**	**419,432**

The Company has limited exposure to interest rate risk as it does not have borrowings or fixed rate debt securities that would change in their fair value due to changes in interest rates.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 17: FINANCIAL INSTRUMENTS (continued)

Fair values

Fair value hierarchy

The table (right) analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). These include Australian Property Trust Units
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 financial instruments are valued using the market comparison technique, by basing fair values on quoted prices. In respect of level 2 financial instruments, there are no significant unobservable inputs.

	Level 1	Level 2	Level 3	Total
31 December 2016	2,458,959	560,041	-	3,019,000
Equity instruments - fair value through other comprehensive income	**2,458,959**	**560,041**	**-**	**3,019,000**
31 December 2017	2,526,248	497,983	-	3,024,231
Equity instruments - fair value through other comprehensive income	**2,526,248**	**497,983**	**-**	**3,024,231**

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2017 Fair value $	2017 Carrying amount $	2016 Fair value $	2016 Carrying amount $
Loans and receivables					
Other receivables	7	340,477	340,477	261,200	261,200
Cash and cash equivalents	6	384,644	384,644	927,037	927,037
		725,121	**725,121**	**1,188,237**	**1,188,237**
Held-for-trading					
Equity securities - Fair value through other comprehensive income	9	3,024,231	3,024,231	3,019,000	3,019,000
Other financial liabilities					
Trade and other payables	13	(759,626)	(759,626)	(1,013,310)	(1,013,310)
		2,989,726	**2,989,726**	**3,193,927**	**3,193,927**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 18: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 1 January 2012, the Company designated its investments in equity securities as at fair value through other comprehensive income as listed below. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes.

	Fair value 2017 $	Fair value 2016 $	Dividend income recognised 2017 $	Dividend income recognised 2016 $
Financial assets	3,024,231	3,019,000	110,732	111,109
	3,024,231	**3,019,000**	**110,732**	**111,109**

During the year, the Company has disposed investments in equity instruments amounting to $326,498 (2016: $1,408,781) based on the advice provided by the investment fund managers and subsequent approval by the CFO. The net cumulative loss/(gain) on disposal for the year amounted to $111,955 (2016: loss of $170,748), which has been transferred to the capital profits reserve.

Reclassifications

There were no other reclassifications of financial assets since the date of initial application of AASB 9, being 1 January 2012.

NOTE 19: LEASES

Finance lease liabilities are payable as follows:

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

No finance leases were recognised in the current or comparative periods.

Operating leases:

Leases as lessee

	2017 $	2016 $
Non-cancellable operating lease rentals		
Less than one year	500,350	656,340
Between one and five years	559,051	1,192,079
	1,059,401	**1,848,419**

The Company leases the Adelaide, Perth and Melbourne offices and office equipment under operating leases. The office leases typically run for a period of 3 to 5 years, with an option to renew the lease, after that date. Lease payments are increased every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index. During the year an amount of $680,219 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2016: $727,925).

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 20: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2017 $	2016 $
Cash flows from operating activities			
(Loss) / Surplus for the period		(455,306)	(652,700)
Adjustments for -			
Depreciation and amortisation	11/12	320,688	397,908
(Reversal of) impairment loss on receivables		-	-
Other non-cash adjustments		-	12,204
In kind donations for property, plant and equipment and equities		(69,475)	(79,588)
Make good Recognition		14,985	(1,275)
Operating profit before changes in working capital and provisions		**(189,108)**	**(323,451)**
Change in trade and other receivables		(79,277)	(32,671)
Change in prepayments		65,369	(11,568)
Change in inventory		4,179	11,940
Change in provisions and employee benefits		(243,024)	(177,790)
Change in trade and other payables		(253,684)	(2,746)
Change in deferred income		116,551	(156,277)
Net cash inflow/(outflow) from operating activities		**(578,994)**	**(692,563)**

NOTE 21: SUBSEQUENT EVENTS

No matters or circumstances have arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of material and unusual nature likely, in the opinion of the Directors which are likely to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

NOTE 22: AUDITOR'S REMUNERATION

	2017 $	2016 $
Audit services		
Auditor's of the Company - KPMG Australia:		
Audit of financial report	56,887	56,841
Other assurance services - KPMG Australia	49,235	64,700
Total auditors' remuneration	**106,122**	**121,541**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 23: RELATED PARTIES

The following were key management personnel of the Company at any time during the reporting period:

Non-executive Directors

Current directors

Prof. C Pollock (Appointed December 2014)
(Appointed Chair December 2017)
Ms S Farrier (Appointed June 2017)
Mr P Haddad (Appointed June 2017)
Mr P Hartshorne (Appointed April 2008)
Mr D Morgan (Appointed December 2014)
(Appointed Chair June 2016 and resigned December 2017)
Mr D Parker (Appointed in April 2010)
Mr M Ray (Appointed June 2017)
Ms R Renwick (Appointed June 2017)

Retired directors

Prof. J Craig (Appointed December 2011 and resigned June 2017)
Mr V Harink (Appointed December 2004 and resigned in May 2017)
Mr G Holmes (Appointed in May 2007 and resigned May 2017)
Mr P Mitchell (Appointed May 2007 and resigned May 2017).

Non-executive Directors are not paid compensation with the exception of those transactions noted (right).

Executive

Dr L Murphy (Interim Chief Executive Officer,
Appointed December 2017)
Ms. M Strafrace (Chief Executive Officer,
Appointed September 2016 resigned December 2017)
Mr M Jowett (Chief Financial Officer and Company Secretary,
Appointed November 2017)
Ms. R Caré (Chief Financial Officer and Company Secretary,
Appointed April 2010 resigned October 2017).

	2017 $	2016 $
Key management personnel compensation		
Short term employee benefits	585,480	695,003
Other long term benefits	5,596	21,828
	591,076	**716,831**

Key Management Personnel compensation is recognised as part of personnel costs in the income statement.

Non-executive

The terms and conditions of the transaction with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Prof. Pollock was engaged as a consultant prior to her appointment as Non-executive director.

NOTE 24: COMPANY LIMITED BY GUARANTEE

KHA is a company incorporated in Victoria pursuant to the Corporations Act 2001 as a company limited by guarantee. It is registered with the Australian Charities and Not-for-profit Commission Act 2012. Every member of the Company undertakes to contribute to the asset of the Company in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the Company contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of $10.00.

DIRECTORS DECLARATION

In the opinion of the Directors of The Australian Kidney Foundation ("Company") T/A Kidney Health Australia:

a) the financial statement and notes that are set out on pages 7 to 31 are in accordance with the Australian Charities and Not-for profits Commission Act 2012, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the financial year ended on that date: and

(ii) complying with Australian Accounting standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013: and

(b) There is reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Mr. Peter Jon Hartshorne
Director
Dated at Melbourne 4th May 2018.

Kidney Health Australia

Independent Auditor's Report

To the members of The Australian Kidney Foundation T/A Kidney Health Australia

Opinion

We have audited the ***Financial Report***, of the Foundation.

In our opinion, the accompanying ***Financial Report*** of the Australian Kidney Foundation T/A Kidney Health Australia is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Foundation's financial position as at 31 December 2017, and of its financial performance for the year ended on that date; and

ii. Complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

i. Statement of financial position as at 31 December 2017.

ii. Statement of surplus and deficit and other comprehensive income.

iii. Notes including a summary of significant accounting policies.

iv. Director's Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Foundation in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the ACNC Act 2012, which has been given to the Directors of the Foundation on 4 May 2018, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Other information

Other Information is financial and non-financial information in The Australian Kidney Foundation T/A Kidney Health Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report and the Foundation's information and activities for the year.

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. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Foundation's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

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

KPMG

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error.

ii. 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.

iii. 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 foundation's internal control.

iv. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

v. Conclude on the appropriateness of the Director'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

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

We communicate with the Directors of the Foundation 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.

KPMG

KPMG

Amanda Bond

Partner

Melbourne

9 May 2018

KPMG

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of The Australian Kidney Foundation T/A Kidney Health Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 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.

KPMG

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Amanda Bond
Partner

Melbourne
4 May 2018

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