

Fitness Australia
Annual Report
2017-18





WE PROFESSIONALISE EXERCISE

We've taken a fresh step forward with a new identity for Fitness Australia, our members and our industry.

As we continue to evolve, expand our focus, and update products, services and experiences, we want our brand to best reflect why we exist, what we believe in, and where we're headed.

***Here at Fitness Australia, we professionalise exercise.
We live and breathe it.***

We're a passionate and dynamic industry, and we're also an industry that prides itself on being professional. That's where Fitness Australia come in. We want to help everyone in this great industry of ours to always be better.

There are lots of ways that We Professionalise Exercise, here are the most important:

We are the body that represents the Australian Fitness Consumer Industry

Both on a national and international stage, Fitness Australia represents not only those who are registrants and members of ours, but the entire Australian Fitness Industry. This includes working with Government on a local, state and federal level for best outcomes, responding to and providing information to media as the go-to credible source, and forming international alliances to learn and grow our industry on home soil.

We administer the Australian Register of Exercise Professionals

The Australian Register of Exercise Professionals ensures that those who have the skills and qualifications to deliver safe and effective exercise services to the Australian community are registered to practice. Not only does this provide credibility to those registered, it also provides a level of assurance and confidence for consumers, employers and health professionals.

We develop industry standards and guidelines

We know it's not always exciting, but for any professional industry, standards and guidelines are critical. We develop these using evidence-based research and best practice, and often work with other professional bodies. This means that trainers, instructors and fitness business owners have the resources that allow them to work safely and provide a high quality of service.

We facilitate education

Being professional means continually updating your knowledge and skills. We facilitate this through the continuing education system, which promotes ongoing learning for all Registered Exercise Professionals, members, and events and seminars for our business owners.

We're here to professionalise exercise. Let's do it together.



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Chairman & CEO Reports

Chairman's report



Over the last 12 months, the Fitness Australian team and board have continued to work to its strategic plan and purpose of empowering the industry to engage more Australians in quality health and fitness services. The launch of the Quality Accreditation Program, completion of a National Code of Practice and representation of the industry in regards to music licensing laws and Fair Work Commission, is testament to this.

In order to adequately represent the industry, support and engagement by the wider consort is of course essential, and the board would like to thank all Fitness Australia Business Members and Registrants for their support. We continue to assess and strive to grow this support, and this continues to be the most important, and similarly the most challenging task that Fitness Australia faces.

As the industry continues to grow and evolve, we are witnessing an evolution and development of business models that in comparison to traditional models, have lower staff and fitness professional engagement. This of course places pressure on the number of registered fitness professionals in the system, and therefore revenue challenges for the association. Coupled with the reduction in the number of both the enrolment of fitness students into courses, and as the education models change, a lower completion rate of students through some of these models – combines to place not insignificant challenges both for Fitness Australia and business members in the provision of a skilled and available workforce. Through detailed workforce studies over the last 12 months, we are conscious of the challenges that this presents for all, and continue to passionately believe that we are stronger together. We will achieve more together

and disparate industry, and call for all industry players to support the peak national body through encouraging and looking for fitness professionals who continue to show their professionalism and commitment to excellence through their ongoing education and registration with Fitness Australia.

These revenue challenges and decrease in registration/member numbers have been mitigated to some extent through rigorous cost control from the management team, however importantly as Fitness Australia moves forward, increased engagement, membership and registration is vitally important.

The financial year ended 30 June 2018 sees the company achieve a small operating loss of \$25,516, however write-downs and provisions as required by the compliance with the necessary accounting standards totalling \$150,451 will see the company report an overall loss of \$175,967. The adjustments were required to reflect the potential costs in the vacation of the Melbourne office, the write-down in the useful life of the entity's website as well as a provision for the write-off of irrecoverable amounts owed to Fitness Australia as at 30 June 2018.

Fitness Australia must of course continue to review the broader value proposition of its offerings, and this has been a strong focus of the team in developing new products, which are better suited to the evolving industry. The Board further sees the need to take a more holistic view of the industry, and evolve to meet the needs and requirements of increased range of activities, businesses and health activities, than has been the traditional commercial fitness environment.

Further work and action in this area should yield improvements in both revenue and as importantly achievement of the overall purpose of the association. As an industry we understand that as a collective, we can play an important role in the health of all Australians, and now more than ever, a unified voice of fitness and health professionals is needed to work towards this incredibly important end. Fitness Australia is positioned to represent the industry, and with the continued support of the industry can be this voice

A handwritten signature in blue ink that reads "D Allan". The signature is written in a cursive style and is placed on a light blue rectangular background.

David Allan

CEO's report



The 2018 financial year saw significant achievements by the Association, marked by the completion of important projects that reflected the refocus of the organisation into a more customer-centric business operation in line with the 2020 Strategic Plan.

The three core pillars of the Plan – meaningful engagement, proactive leadership and service excellence – remained the drivers behind the year's activities as the organisation was reshaped to meet a rapidly changing marketplace. As the peak national fitness industry association, Fitness Australia's function is underscored by continuing education, and ownership of the FILEX Convention, the primary annual education event and the largest of its kind in the southern hemisphere. Our investment provides twenty per cent shareholding and twenty-year naming rights.

The Association represented fitness businesses at Fair Work Commission hearings into potential changes to the all up rate for casual employees, and continued to take the lead in negotiations to protect the status quo and maintain the appeal of casual employment for employers.

In collaboration with our human resources partner, Fisher Cartwright Berriman (FCB) we established of the Workplace Policy Relations Committee, a representative group of industry leaders that will proactively identify emerging issues and offer a united fitness business voice to government and the Fair Work Commission on employment related matters. The spectre of hostile music tariffs was similarly addressed as Fitness Australia led the negotiations with the newly formed One Music. The Music Response Committee was formed to assist the facilitation and representation of the fitness business owner's views and concerns.

Continuing our stated proactive leadership strategic principle, we re-established the Fitness Industry Council as a mechanism of the Fitness Australia Board that represented a strong cross section of industry players to provide valuable, constituent feedback and appraisals of initiatives and changes to market conditions. The Council works alongside the Australian Fitness Industry Standards Council who approved the Nutritional Guidelines paper and the Fitness Australia Quality Accreditation program.

Understanding the need for a closer relationship with registered training organisations (RTO), the RTO Council was established, populated by fourteen of the leading training organisations in fitness and aqua education as Fitness Australia actively rebuild our relationship with those delivering continuing education in our industry.

The relevance of the RTO Council is particularly pertinent as new national training package commences development, with Fitness Australia taking its seat at the Industry Reference Committee this year, after providing a detailed skills assessment to Skills IQ, the industry service skills organisation in January. The assessment resulted in strong recommendations for significant change to the current training package, delineating a clear pathway for fitness industry careers. This reinforces Fitness Australia's commitment to building capacity and careers, reinforced by our new tagline 'we professionalise exercise' released in April 2018.

Fitness Australia continued to take the lead in the development of a national Code of Practice replacing the outdated state-based codes to form the quality yardstick for implementation by state and federal government departments. Safety and risk management remains paramount for the industry, and the Association's representation at the coroner's enquiry into a tragic fatality in Queensland served as a stark reminder.

Our most significant contribution to supporting service excellence was the launch of the Fitness Australia Quality Accreditation program. The first of its kind, the program represents the achievement of excellence by health clubs, not only in the delivery of fitness services, but also in business practices. This independently third party assessed program is the pinnacle of fitness business quality achievement and is being quickly /embraced by leading industry players.

Market conditions remained challenging throughout the year as the 1.8% industry growth remained largely confined to twenty-four hour and boutique operations with low employment models, and the industry continued to grapple with the fallout from the collapse of VET FEE HELP and the resultant skills shortage.

This resulted in a marked drop in revenue for Fitness Australia compared to previous years that was largely matched with tight cost control, however impairment of assets and historic debt write off combined to report a loss for the financial year. The focus for the Association in the coming year is to continue to humanise Fitness Australia to the changing face of the industry, and to improve revenue production on core business activities with new membership products and services, improved delivery and targeted marketing and improved member value proposition.

A handwritten signature in blue ink, appearing to read 'Bill Moore', written in a cursive style.

Bill Moore



Our purpose is to empower the industry to engage more Australians in quality health and fitness services

Our vision is for more Australians to adopt a healthy, active lifestyle supported by our members



Proactive Leadership

Fitness Australia is the credible, recognised voice of the industry and is influential in driving improvement, innovation and reform.



Meaningful Engagement

Fitness Australia provides value to stakeholders, resulting in strong, mutually beneficial relationships.



Service Excellence

Fitness Australia embodies and enables ongoing quality improvement, building industry credibility and driving growth.



Customer/Stakeholder

4

Recognition & influence



Customised value & high quality service



Improved industry credibility & community confidence

- S11 Draft and implement consumer engagement strategy
- S12 Implement membership engagement strategy
- S13 Implement Quality Accreditation Program marketing strategy for health clubs
- S14 Lead a collaboration between fitness modalities to create an overarching representative fitness industry alliance
- S15 Develop and execute a strategy to increase number of private health insurers that provide rebates for Fitness Australia member services
- S15a Add affiliate membership category and daily EP category

Financial

3

Ensure strong surpluses with sustainable growth



Prioritise and optimise our use of our resources



- S16 Monitor alignment of resource allocation to organisational strategy
- S17 Identify and secure alternate revenue streams
- S18 Attract financial support from a strategically aligned top tier organisation

Internal Processes

2

Influence & advocate with a representative & informed voice



Build & promote a well-recognised brand



Create quality relationships & enhance value offering



Develop high quality innovative systems & processes that are continuously improved

- S19 Implement RTO engagement strategy
- S10 Secure funds for industry research and conduct
- S11 Secure funds for technical research and conduct
- S12 Develop collaborative strategic national partnerships in health, government and community
- S13 Review and update the membership packages
- S14 Implement mainstream media public relations strategy
- S15 Develop and implement compliance system for REPs
- S16 Gain accreditation under recognised quality assurance plan

Organisational Capacity

1

Develop a high performing engaged team



Develop shared visionary leadership



Develop an agile customer-centric culture

- S17 Undertake programs and activities to embed culture, values, purpose, vision & strategy
- S18 Undertake leadership promoting professional development plan
- S19 Implement and monitor segmented stakeholder/customer lifecycle

Our Values

Proud

Credible

Real



Strategic Highlights 2017-18

Proactive Leadership

- Victoria Active Aging Partnership (with Musculoskeletal Australia, Victorian Government and Monash University and Fitness Australia) has:
 - developed a Self-assessment Audit Tool and Resources for businesses that deliver services for older adults
 - delivered a Research and Practice Forum which had over 230 attendees
 - conducted research into *'Engaging 'hard to reach' older people in physical activity'*



MUSCULOSKELETAL
AUSTRALIA



MONASH University



- Re-established the Fitness Australia Industry Council
- Established the Fitness Australia Registered Training Organisation (RTO) Council
- Negotiated with OneMusic Australia in conjunction with the Industry leaders group
- Strengthening of relationships with Department of Fair Trading offices around Australia

Service Excellence

- 772 Registered Fitness Professionals enrolled into one or more of the five available iLearn sessions
- 11 fitness businesses licenced the evidence based strength training program Lift for Life
- 3 Lift for Life workshops conducted; Melbourne, Brisbane and Adelaide
- 133 new CEC approved programs added to the CEC directory
- Nutrition Advice within Scope of Practice for AusREPs document released and its associated iLearn session developed
- 200 inbound dispute enquiries received and actioned
- Over 600 business solutions provided to members
- Transitioning of our Account Management and eMarketing systems to Salesforce begins

Meaningful Engagement

- Fitness Australia Quality Accreditation model approved by AFISC and launched in July 2018
- Presented the first Fitness Australia Quality Accredited business with their accreditation achievement
- Reviewed consumer fitness fact sheets for State Government Departments
- Worked with allied health associations on standards and developments
- Purchased 20% shareholdings in the largest fitness convention in the southern hemisphere, FILEX
- Strengthened relationships amongst leading international registration fitness bodies including International Confederation of Registered Exercise Professionals (ICREPs)
- Consulted with industry on the Fitness Industry Training package as part of ASQA's Training package review
- Visited over 1200 members across Australia
- Presented at over 60 RTO events attended by fitness students
- Attended group fitness business model conferences and workshops
- Introduced Fitness Australia Rewards Membership for AusREPs and Sole Traders to receive benefits like discounts on big brand name products and services through the Fitness Australia Rewards program
- Released a new and exclusive PT Management App, Worket
- Released a refreshed Fitness Australia brand and tagline being 'We Professionalise Exercise'
- Partnered with COM Marketing for expert digital marketing support provided to members
- Partnered with NPE Coaching for expert business sales support coaching to members





Key Project Achievements

Australian Fitness Industry Standards Council

Australian Fitness Industry Standards Council continued with their focus on quality improvement and the development of best practice in the fitness industry with consultation across many areas including Nutrition Advice guideline; Fitness Industry National Quality Framework; Fitness Australia Quality Accreditation system; National Code of Practice; Compliance System; VET Training package; Registration requirements; Continuing Education System Enhancement and other standards matters.

The members of the Australian Fitness Industry Standards Council are:

- Professor Elisabeth Wilson-Evered (Chair)
- Professor Patrick Keyzer
- Associate Professor Michael Greco
- Ms. Maxine Cooper
- Mr. Gavin Aquilina
- Mr. Michael Cunico
- Dr. Betul Sekendiz
- Ms. Christie Boucher
- Mrs. Amanda Mehegan

Fitness Australia Quality Accreditation

The Fitness Australia Quality Accreditation (FAQA) is the first continuous quality improvement program specifically designed for gyms, fitness centres, fitness businesses and clubs within Australia.

The Fitness Australia Quality Accreditation is founded upon the Fitness Industry National Quality Framework which consists of 6 key pillars; Professionalism, Safety, Customer Care, Information & Knowledge, People and Leadership. The program provides valuable support to businesses by improving viability, effectiveness and relevance to all Australians. Consumers that engage with accredited businesses can be assured they are dealing with a business that have consistent high standards across all aspects of the business and will receive a high level of service delivery.

Development of the Accreditation program progressed to a point where a closed trial was conducted over a 9-month period. Previous award winning fitness businesses were invited to participate in the trial, with a strong participation rate and overwhelming positive feedback. Fitness Australia announced the first Fitness Australia accredited business in June 2018 as Glen Eira Sports and Aquatic Centre.

Professional Registration and Continuing Education System

During the year, 135 new Continuing Education (CE) programs were approved and added to the directory of 636 other approved events and programs covering over 50 delivery, knowledge & skill areas. Attendance and completion of these approved CE programs and events from registrants has seen over fifteen thousand entries verified and approved this year which is reflected via delivery of knowledge and skills on the Australian Register of Exercise Professionals.

Throughout the year a broad industry review was conducted to ensure a contemporary continuing education system existed for Fitness Australia Registered Exercise Professionals. This involved consultation with AusREPs, Fitness Businesses, ICREPs member representatives, health and allied health associations.

The outcome of the review will see broader opportunities for AusREPs to gather the necessary Continuing Education Credits for registration and renewal early in the next financial year. This will include initiatives such as self-directed learning and affiliated education.

Research and Evidence Development

In December 2017 and January 2018 an environmental study was conducted looking into the contemporary professional roles and responsibilities in the fitness industry. The study was commissioned to assist in determining priorities for updates and improvements to the competencies and packaging rules within the Certificate III, IV & Diploma of Fitness. This study involved surveying Fitness Businesses' TAFEs/RTOs; Exercise Professionals and consumers by conducting interviews and analysing various industry reports. The study identified priorities for review which were used to formulate Fitness Australia's position as to what was to be included in the 2018 Fitness Training Package Skills Forecast. This research piece has influenced the Australian Industry Skills Commission to approve review of the national fitness training package commencing in 2019.

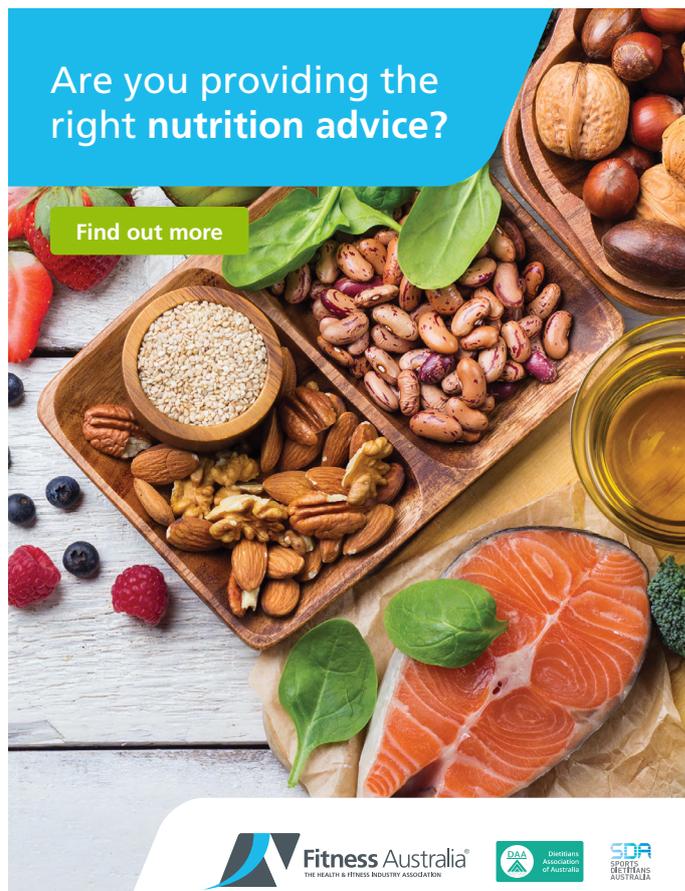
Standards, Guideline Development and Dissemination

The Nutrition Advice within the Scope of Practice of Registered Exercise Professionals guideline was finalised and disseminated in September 2017. Fitness Australia has worked in collaboration with Dietitians Australia Association and Sports Dietitians Australia to develop this guideline. This provides AusREPs with further guidance indicating their role in providing basic healthy eating information and advice through the application of nationally endorsed nutritional standards and guidelines – in particular, the Australian Dietary Guidelines.

The Adult Pre-Exercise Screening System (APSS) was originally endorsed by Fitness Australia, Exercise Sports Science Australia and Sports Medicine Australia in 2011. Unlike other international pre-exercise systems the system was due for a review, which commenced late in 2017. In March 2018, there was industry consultation period which provided valuable feedback and suggestions on Australia's most commonly used pre-exercise screening system. With analysis of the feedback and ongoing collaboration between the peak associations an updated version of the APSS, it is anticipated that later in the year the APSS will be endorsed and available to the industry.

iLearn

Fitness Australia continued to deliver the online education platform which promotes evidence based, expert advice and resources designed to assist the fitness industry to meet national standards and guidelines. This year overall course completions and Net Promoter Score ratings increased 14% and 26.5% respectively compared to the prior year as a result of the update to a more effective learning management system. Early in the new financial year a new session became available to the fitness industry called: Effective & Appropriate Nutrition Advice (Guidance for Registered Exercise Professionals).



Grow Your Fitness Business

The Grow Your Fitness Business toolbox continues to be a strong selling point as part of Fitness Australia's business and sole trader membership benefits.

The toolbox contains over 230 support resources and tools to help fitness businesses manage, grow and sustain a successful business. During the financial year:

The Grow Your Fitness Business Toolbox, grow.fitness.org.au, received 22,110 views;

The average monthly Toolbox direct email open rate was 36%;

The average monthly Toolbox direct email click through to open rate was 11%;

75 new resources were added to the Toolbox in the 2017/18 year.

Worket App

In March 2018, Fitness Australia released a new and exclusive Personal Training (PT) Management App, Worket.

The Worket App is prepopulated with 22,000 AusREPs' profiles from the official Australian Register of Exercise Professionals.

The App is available to AusREPs with no monthly fee or contracts, only a per transaction fee.

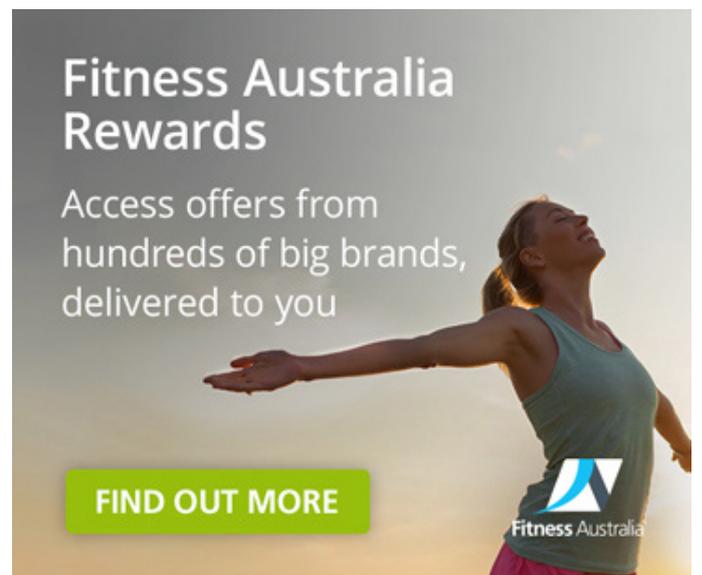


Fitness Australia Rewards

The Fitness Australia Rewards program was introduced in August 2017 for AusREPs Members and Sole Traders Members.

Hundreds of big brand names with discounted products and services are available to AusREPs and Sole Traders.

The Rewards program can be accessed via the members dashboard on fitness.org.au



Brand rejuvenation

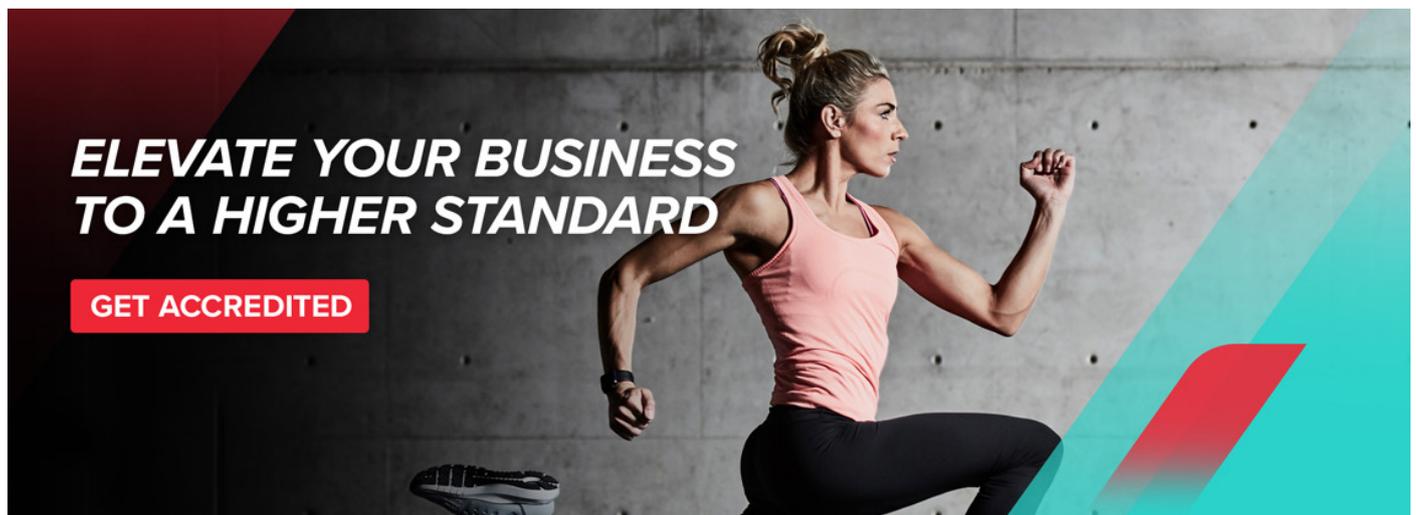
With a focus on the future, Fitness Australia's identity evolved through a new brand.

Along with a new vision and tagline – We Professionalise Exercise, came a focus on updated products, services and experiences so the brand best reflects why Fitness Australia exist, what Fitness Australia believe in, and where we're headed.

New member branding, association imagery, a business accreditation program and fresh CEC methods has marked the beginning of a new era for Fitness Australia, in its first year of the 2020 Strategic Plan.



**WE
PROFESSIONALISE
EXERCISE**



Governance

Further support has been added to the Board with the establishment of the Fitness Industry Council and the Fitness Industry Educators Council. This accompanies the Fitness Industry Standards Council and offers technical and experiential advice on grass root industry matters.

These sub committees of the board also contribute to talent identification for the Fitness Australia Board of Directors succession planning.



FILEX Convention

In November 2017, a Fitness Australia-led joint venture acquired Australia's premier fitness education convention, FILEX, with Fitness Australia being a 20% shareholder of FILEX Holdings Ltd.

Fitness Australia's 2020 Strategic Plan calls for a heavy focus on meaningful engagement, proactive leadership and service excellence – Leading the annual FILEX event encapsulates all three of these elements and represents a significant milestone for the Association and its members. FILEX Convention is currently held in April annually.

The addition of a 2 day event, FILEX Immersive, to the existing annual fitness convention aims to reach fitness business leaders and exercise professionals with relevant and credible expert presenters. This event was designed in response to feedback from FILEX attendees about delving further into relevant topics, hence the Immersive name. FILEX Immersive is currently held in October annually.

AusREPs and business members of Fitness Australia are offered a discounted ticket rate to the FILEX Convention and FILEX Immersive. These premium industry events form the pinnacle of Fitness Australia's events calendar, and position Fitness Australia and its brand well amongst industry stakeholders.

Commercial

Fitness Australia has strengthened partnership agreements, signing a five year deal with Guild Insurance. Within this agreement Fitness Australia's business members have access to a financially preferable offer for insurance, and registered exercise professionals have access to a competitive industry rate for 'in scope' professional insurance.

The Association's level of commercial partnership agreements has remained steady. Affinity agreements have not yet delivered a return on investment, however they are delivering a great benefits to support members.

Continuing Education (CE) partners' advertising via Fitness Australia's non-traditional channels such as social media is increasing.

Fitness Australia Awards 2017

The Fitness Australia Awards recognise the dedication of fitness professionals and businesses across Australia and recognise achievements within the fitness industry.

The 2017 awards recognised the outstanding work that registered instructors and trainers do every day to help Australians live a more active, healthy lifestyle.

The 2017 program received a record number of nominations, triple that of 2016, across each of the three categories; ActiveAchievers, ActiveCommunities and ActiveStudents. Other categories include the Chairman's Award and Roll of Honour.

Winners

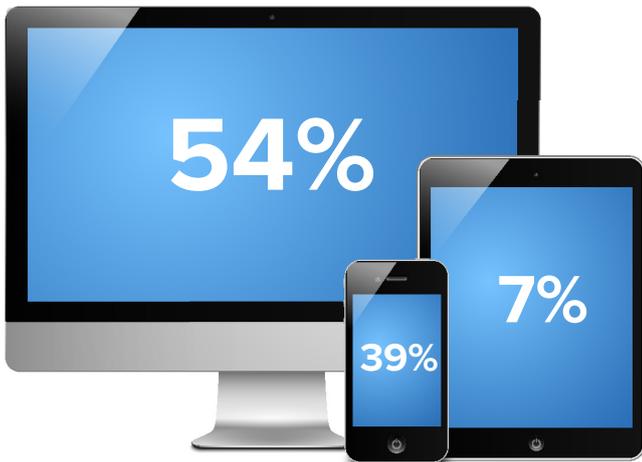
- **National #ActiveStudent Award Winner**
Kellie Hannaford (QLD)
- **National #ActiveAchievers Award Winner**
Belinda Nelson (VIC)
- **National #ActiveCommunities Award Winner**
Pledge to Park Run, Goldfields Oasis Recreation Centre (WA)
- **Fitness Australia Chairman's Award**
Greg Oliver, Fitness & Lifestyle Group

Roll of Honour Inductees

- Justin McDonnell, Anytime Fitness
- Jacinta McDonnell, Anytime Fitness
- Richard Peil, Anytime Fitness
- Joanne Russell, Re-Creation Clubs
- Lisa Westlake, Physical Best



Devices Used



Our Social Network

Social media followers



Fitness.org.au



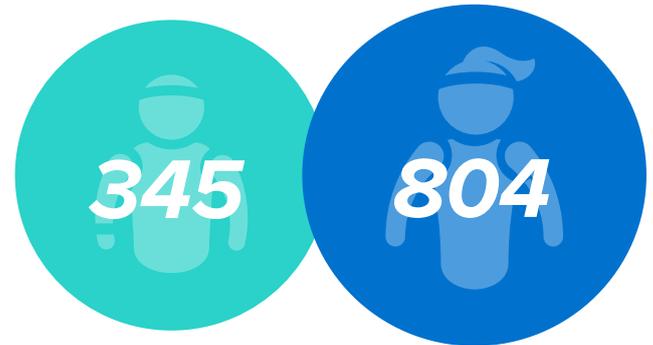
445,000+
visits



2,379

Inbound emails, monthly

Facebook Groups



Sole Traders

Students



3,371

Inbound calls to
1300 211 311, monthly

52% Professionals

35% Reception (other)

7% CEC

6% Business

ADVOCACY

Establishing the Workplace Policy Relations Committee with the support of our human resources partner, Fisher Cartwright Berriman (FCB), enables a focus on the exercise professional's employment standards. With consistent contact with the Fair Work Commission and the Fair Work Ombudsman, having industry leaders providing a single unified industry perspective on human resource and industrial relations issues has been welcomed from the government sector.

The continued focus on state and local government issues has impacted positively on the ability of 'grassroots' fitness business issues to be addressed, for example, continued industry representation on fitness professional use of public space.

Fitness Australia continued to build on relationships with the consumer watchdog ACCC to ensure that the industries reputation is maintained and consumer protections are addressed appropriately.

With the engagement of the Music Copyright Advisory Committee, Fitness Australia has ensured that the voice of the industry is heard and continues to represent industry needs during negotiations and consultation with OneMusic Australia.

2018 highlighted the need for a National Fitness Industry Code of Practice. A single national position on industry standards and consumer protections will allow businesses to operate to clear objectives and understandings. The broad consultation for this document included state offices for Fair Trading, Recreation and Sport, the Fitness Industry Standards Council and the fitness industry. Fitness Australia looks forward to presenting this to the industry in the first half of the 2018/19 financial year.

Australian Fitness Industry Retention Report 2017

The Australian Fitness Industry Retention Report 2017 is a landmark publication produced by Dr Paul Bedford and supported by Fitness Australia, for a deeper understanding of members behaviours and retention

This report presents the findings of a 36-month study of the Australian fitness industry. It uses the same methodology as the previous reports conducted in the UK, New Zealand and North America.

Dr Paul Bedford, PhD collected the data from participating operators over a three-month period, beginning 2 January 2017.

The Australian Fitness Industry Retention Report 2017 provides a unique insight into the retention and attrition rates of a representative sample of Australia's health and fitness clubs. It continues to use recognised statistical methods for measuring retention and attrition, as well as enabling the participating operators to compare their own performance against the industry benchmark.

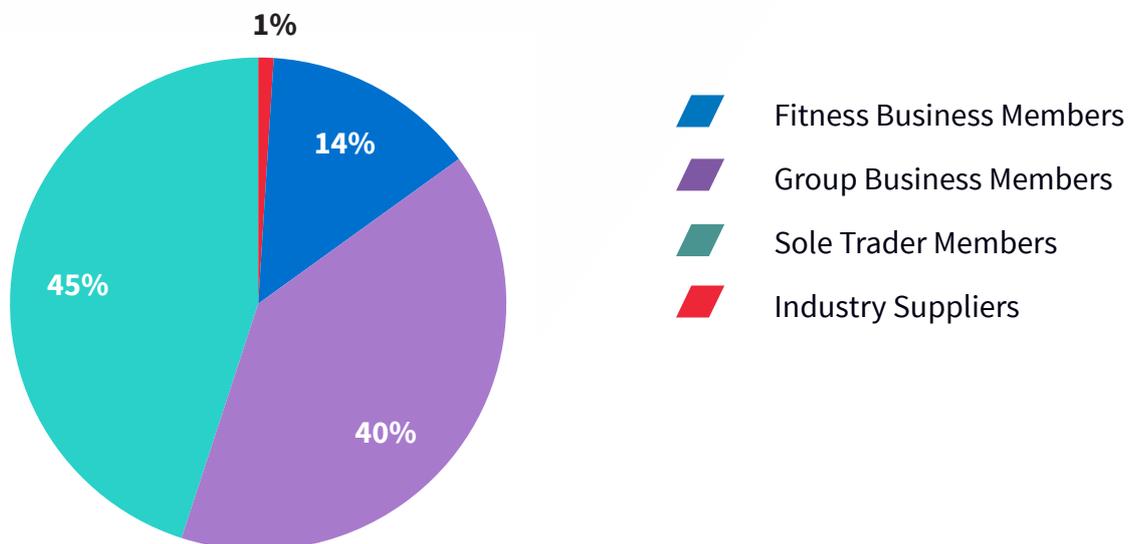
Measuring retention and its associated factors are a vital element of running any successful health and fitness business. This report offers operators not only key related statistics, but an industry retention benchmark to measure against, which will have a wider impact on the approach used to manage sales, marketing and customer service, as well as the recruitment and training of staff.



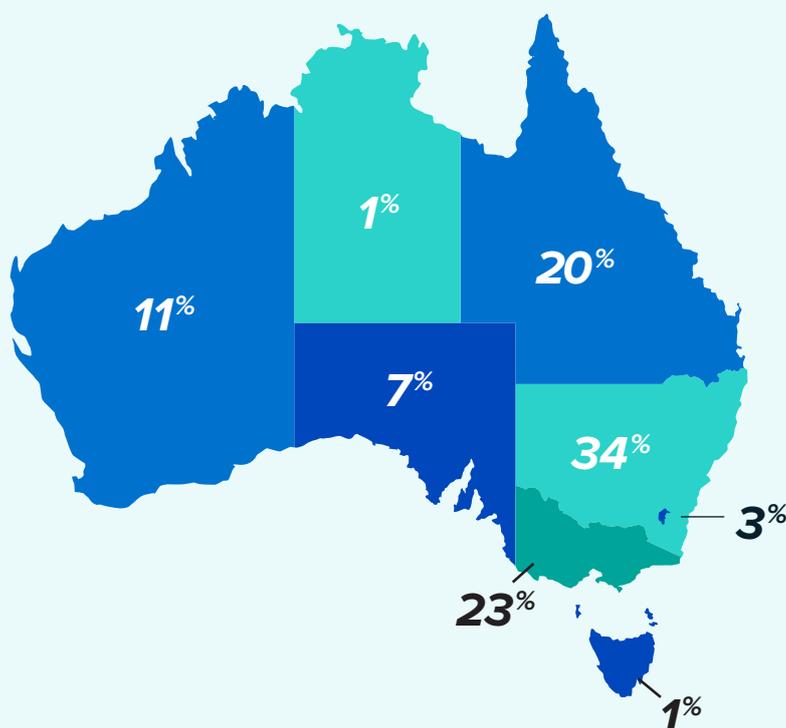


***THE PEAK HEALTH AND
FITNESS INDUSTRY
ASSOCIATION***

Fitness Australia Business Registration Types



Geographical distribution of fitness business members in Australia



Registered Exercise Professionals, 2017-2018

New AusREPs	2,936
Renewed AusREPs	6,583
Total AusREPs	9,519

Fitness Business Members

New businesses	645
Renewed businesses	1,059
Total Businesses	1,704

Fitness Australia Limited

ABN: 51 131 422 403

Financial Statements

For the Year Ended 30 June 2018

Fitness Australia Limited

ABN: 51 131 422 403

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For the Year Ended 30 June 2018

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Fitness Australia Limited

ABN: 51 131 422 403

Directors' Report

30 June 2018

The directors present their report on Fitness Australia Limited for the financial year ended 30 June 2018.

1. General information

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
David Allan	14 October 2011
Justin McDonell	1 November 2013
Michael Jordan	24 October 2014
Kristen May Green	12 January 2015
Elizma Bolt	30 October 2015 / 4 December 2017
Andrew David Simmons	30 October 2015 / 12 October 2017
Christopher John Hicks	20 June 2016
Rod Harvey	13 October 2016
Julie Garland McLellan	13 October 2016
Tony de Leede	10 December 2017 / 16 July 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on directors

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

David Allan	
Qualifications	Bachelor of Applied Science in Human Movement
Experience	Managing Director of 38X Fitness, Director - Pro Fitness Studio Pty Ltd, Director - Filex Holdings
Special responsibilities	Chairman of the Board
Justin McDonell	
Qualifications	MAICD
Experience	Co-Founder and Chairman of Anytime Fitness Australia, Director and Shareholder - Filex Holdings, Director and Ownership - Collective Wellness Group, Director and Ownership - Ene-chi Holdings, Director and Ownership - Collective Media
Special responsibilities	Member of the Finance and Risk Committee
Michael Jordan	
Qualifications	Bachelor of Business (Communications)
Experience	Managing Director of Voyage Fitness, Director and Shareholder, MDJ Fitness Pty Ltd (T/A 12 RND Fitness Albert Street) CEO, 12 Round Fitness
Special responsibilities	Chairman of the Nominations and Remuneration Committee

Fitness Australia Limited

ABN: 51 131 422 403

Directors' Report

30 June 2018

Information on directors (continued)

Kristen May Green

Qualifications

Bachelor of Exercise and Sports Science, Diploma Events Management, MAICD, MBA (distinction)

Experience

General Manager of Aquafit, Executive General Manager, Campbelltown Catholic Club Board Member (voluntary), WIFA (The Women in Fitness Association) US Based

Special responsibilities

Member of the Nomination and Remuneration Committee

Elizma Bolt

Qualifications

Bachelor of Commerce, Higher Diploma in Tax, Graduate of the Australian Institute of Company Directors

Experience

Partner, LLB Deloitte

Special responsibilities

Member of the Finance and Risk Committee, Member of Nomination and Remuneration Committee

Andrew David Simmons

Qualifications

Bachelor of Sports Sciences (Exercise Science), Advanced Diploma of Business

Experience

Founder and Managing Director of Vision Personal Training, Author - Ready Set Go - 3 Steps to Better Health, Author - Fat Loss Take Control

Special responsibilities

Member of Nomination and Remuneration Committee

Christopher John Hicks

Qualifications

Bachelor of Commerce

Experience

CEO of Newcastle University Sport, Director - Hunter Care Limited, Director - Hunter Academy of Sport

Special responsibilities

Chairman of Finance and Risk Committee

Rod Harvey

Qualifications

Bachelor of Business Banking

Experience

Fitness Australia Regional Industry Chair, Director of Alive Health Clubs, Director - BTS Australia Pty Ltd, Director - C&S (act) Pty Ltd

Special responsibilities

Member of Finance and Risk Committee

Julie Garland McLellan

Qualifications

Bachelor of Science (Honours) Civil Engineering, Master of Business Administration

Experience

Non-executive director & committee chair of Bounty Mining Ltd, External Representative Board member, Training Force Board (Australian Naval Forces), Advisory Council Member, Correctional Industries Consultative Council (CICC) NSW, Consulting/contracting relationship and membership, Australian Institute of Company Directors, Director - Filex Holdings

Special responsibilities

Member of Finance and Risk Committee

Tony de Leede

Experience

Director - Fit n Fast, Director - Gwinganna Lifestyle Retreat

Special responsibilities

Member of Nomination and Remuneration Committee

Directors' Report

30 June 2018

Information on directors (continued)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretary

The following person held the position of Company secretary at the end of the financial year:

Jocelyn Dale Webb has been the company secretary since 1 December 2017.

Principal activities

The principal activity of Fitness Australia Limited during the financial year was to operate as a company representing, informing and supporting the fitness industry in Australia, administering the national registration scheme and setting and promoting high standards of training, education and continuing development for fitness professionals, stimulating informed debate on issues of interest in the industry, advocating policy positions, and promoting the role of the fitness industry to government, health agencies and the community.

No significant changes in the nature of the Company's activity occurred during the financial year.

Short term objectives

The Company's short term objectives are to:

- Enhance the professional registration and continuing education systems that are administered by Fitness Australia;
- Continue to build the quality improvement program and introduce the quality accreditation program for businesses;
- Continue to promote our new online presence and digital communications;
- Position Fitness Australia as a knowledge leader;
- Continue to develop key industry standards and professional practice guidelines;
- Launch the iLearn standards education online learning platform;
- Lobby government for changes to the FBT legislation;
- Lobby to achieve nationally consistent fair trading regulations for the fitness industry across all Australian jurisdictions.

Long term objectives

The Company's long term objectives are to:

- Fitness Australia's vision is a fitter, healthier Australia. Our aim is to help shape an environment where the fitness industry is well equipped to engage more people in regular exercise and other services that improve their health and well-being;
- Foster a culture of quality improvement that focuses the industry on customer care, professional service and client safety;
- Enhance the industry's capacity to deliver quality services through standard setting, education, learning and development;

Directors' Report

30 June 2018

Long term objectives (continued)

- Create connections and build relationships that advance the fitness industry;
- Advocate for a government policy and regulatory environment where the fitness industry can thrive.

Performance measures

The following measures are used within the Company to monitor performance:

- Membership numbers and registration numbers;;
- Retention rates;
- Overall revenue and expenditure results;
- Revenue per full time equivalent employee;
- Human Resource cost as a percentage of revenue;
- Liquidity ratio;
- Business plan deliverables and timeframe's.

Members guarantee

Fitness Australia Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$10 for members that are corporations and \$10 for all other members, subject to the provisions of the company's constitution.

At 30 June 2018 the collective liability of members was \$ 35,330 (2017: \$ 35,130).

Directors' Report

30 June 2018

Meetings of directors

During the financial year, the following meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Finance and Risk Committee		Nominating Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Allan	6	6	6	5	2	2
Justin McDonell	6	5	6	5	-	-
Michael Jordan	6	6	-	-	2	2
Elizma Bolt	2	1	2	2	-	-
Kristen May Green	6	6	-	-	2	2
Andrew David Simmons	1	1	-	-	-	-
Christopher John Hicks	6	6	6	6	2	2
Rod Harvey	6	6	6	5	-	-
Julie Garland McLellan	6	5	6	5	-	-
Tony de Leede	5	2	-	-	2	-

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:

Director:

Dated this 25th day of OCTOBER 2018

The Board of Directors
Fitness Australia Limited
PO Box 6453
Alexandria NSW 2015

Dear Board Members

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fitness Australia Limited.

As audit partner for the audit of the financial statements of Fitness Australia Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Sydney Partnership



Mark Boyle

Partner

Sydney

Dated: 25 October 2018

Sydney Office

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Fitness Australia Limited

ABN: 51 131 422 403

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018**

		2018	2017
	Note	\$	\$
Sales revenue	6	4,047,418	4,536,241
Other income	6	3,421	7,180
Share of profit from associate		19,225	-
Marketing expenses		(375,687)	(608,236)
Occupancy expenses		(304,276)	(292,648)
Administration expenses		(596,740)	(495,145)
Membership expenses		(21,293)	(85,709)
Meeting expenses		-	(39,978)
Human resources		(2,421,973)	(2,515,811)
Projects		(216,135)	(201,357)
Loss on disposal		-	(2,336)
Other expenses		(309,247)	(276,125)
Finance costs		(680)	(1,129)
(Loss)/profit before income tax		(175,967)	24,947
Income tax expense		-	(8,295)
(Loss)/profit for the year		(175,967)	16,652
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(175,967)	16,652

The accompanying notes form part of these financial statements.

Fitness Australia Limited

ABN: 51 131 422 403

Statement of Financial Position**As At 30 June 2018**

	Note	2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	411,060	663,930
Trade and other receivables	10	112,120	463,734
Other assets	15	60,310	133,797
TOTAL CURRENT ASSETS		583,490	1,261,461
NON-CURRENT ASSETS			
Investment in associate	13	219,225	-
Property, plant and equipment	11	158,057	219,340
Deferred tax assets	14	55,028	55,028
Intangible assets	12	366,230	305,659
TOTAL NON-CURRENT ASSETS		798,540	580,027
TOTAL ASSETS		1,382,030	1,841,488
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	249,626	461,415
Other liabilities	17	295,338	326,571
Borrowings	18	45,937	62,994
Provisions	19	200,954	201,952
TOTAL CURRENT LIABILITIES		791,855	1,052,932
NON-CURRENT LIABILITIES			
Provisions	19	14,136	36,550
TOTAL NON-CURRENT LIABILITIES		14,136	36,550
TOTAL LIABILITIES		805,991	1,089,482
NET ASSETS		576,039	752,006
EQUITY			
Reserves	20	630,660	630,660
Retained earnings		(54,621)	121,346
TOTAL EQUITY		576,039	752,006

The accompanying notes form part of these financial statements.

Fitness Australia Limited

ABN: 51 131 422 403

Statement of Changes in Equity
For the Year Ended 30 June 2018**2018**

	Retained Earnings	Reserves	Total Equity
Note	\$	\$	\$
Restated balance at 1 July 2017	121,346	630,660	752,006
Total comprehensive income	(175,967)	-	(175,967)
Balance at 30 June 2018	(54,621)	630,660	576,039

2017

	Retained Earnings	Reserves	Total Equity
	\$	\$	\$
Restated balance at 1 July 2016	104,694	630,660	735,354
Total comprehensive income	16,652	-	16,652
Balance at 30 June 2017 (restated)	121,346	630,660	752,006

The accompanying notes form part of these financial statements.

Fitness Australia Limited

ABN: 51 131 422 403

Statement of Cash Flows
For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	4,777,246	4,978,662
Payments to suppliers and employees	(4,599,061)	(4,879,331)
Interest received	3,421	7,180
Interest paid	(680)	(1,129)
Net cash used in operating activities	<u>180,926</u>	<u>105,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	-	9,000
Purchase of plant and equipment	(7,176)	(20,663)
Payments to acquire intangible assets	(209,563)	(41,335)
Net investment in associate	(200,000)	-
Net cash used by investing activities	<u>(416,739)</u>	<u>(52,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of finance lease liabilities	(17,057)	(34,225)
Net cash used by financing activities	<u>(17,057)</u>	<u>(34,225)</u>
Net (decrease)/increase in cash and cash equivalents held	(252,870)	18,159
Cash and cash equivalents at beginning of year	663,930	645,771
Cash and cash equivalents at end of financial year	9 <u>411,060</u>	<u>663,930</u>

The accompanying notes form part of these financial statements.

Fitness Australia Limited

ABN: 51 131 422 403

Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers Fitness Australia Limited as an individual entity. Fitness Australia Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Fitness Australia Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 25 October 2018.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

Member income of the company is 'mutual' income as defined in tax law, whereby income derived from member sources is tax exempt. Taxable income includes income derived from non-member sources after deducting expenditure incurred in deriving that income.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

(b) 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 the Company 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 lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(b) Leases (continued)

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(c) Revenue and other income

Revenue from group business membership fees is recognised upon receipt of monies for the period in which the payment relates.

Revenue from registration fees received from fitness professionals on registration or renewal of registration is recognised upon receipt of monies.

Revenue from insurance sponsorship under the fitness professionals insurance scheme is recognised in full when the company has a right to receive the revenue.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All other revenue is recognised when performance obligations have been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Fitness Australia Limited receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

Donations

Donations and bequests are recognised as revenue when received.

Interest revenue

Interest is recognised using the effective interest method.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(d) Goods and Services Tax (GST)

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 Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(e) Property, Plant and Equipment

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

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

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

Fixed asset class	Depreciation rate
Furniture, Fixtures and Fittings	10-25%
Motor Vehicles	15-20%
Computer & Office Equipment	20-35%
Low Value Asset Pool	37.5% DV

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(f) Investment in associates

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The increase or decrease is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(g) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(h) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangible Assets

Software and Website

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The estimated useful life is between four and five years.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(i) Intangible Assets (continued)

Software and Website (continued)

Amortisation has been included within depreciation and amortisation.

Subsequent expenditures relating to ongoing maintenance of computer software and the website is expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at their nominal amount as it has been determined that they are not materially different from their present value. In determining the liability, consideration is given to employee wages increases and the probability that the employee may not satisfy vesting requirements. Those estimated cash outflows are discounted using market yields on Commonwealth government bonds with terms to maturity that match the expected timing of cash flows.

(l) Adoption of new and revised accounting standards

The company has adopted all of the new revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the company in either the current or prior financial reporting periods.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements which impact assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Notes to the Financial Statements

For the Year Ended 30 June 2018

3 Critical Accounting Estimates and Judgments (continued)

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

4 Going Concern

During the financial year ended 30 June 2018, the Company recorded a loss of (\$175,967) (2017 a profit was made of: \$16,652). At 30 June 2018 current liabilities exceed current assets by \$208,365 (2017: current assets exceeded current liabilities by \$208,629). The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The focus of management will be to prioritise expenditure to ensure that there is sufficient cash to pay debts as they fall due for the following financial year enabling the Company to continue as a going concern.

5 Retrospective restatement

During the 2018 financial year, Fitness Australia revised its method of recognising revenue for the Group Business Registrations (GBR) to be in line with its revenue recognition policy per note 2(c). This resulted in a prior period restatement of the statement of profit and loss and other comprehensive income and the statement of financial position.

The aggregate effect of the prior period restatement on the annual financial statement for the year ended 30 June 2017 is as follows:

	Previously stated	30 June 2017 Adjustments	Restated	Previously stated	1 July 2016 Adjustments	Restated
	\$	\$	\$	\$	\$	\$
Statement of Profit or Loss and Other Comprehensive Income						
Sales Revenue	4,554,972	(18,731)	4,536,241	5,055,299	(34,018)	5,021,281
Profit before income tax	45,678	(18,731)	26,947	43,678	(34,018)	9,660
Profit for the year	35,383	(18,731)	16,652	43,678	(34,018)	9,660
Statement of Financial Position						
CURRENT LIABILITIES						
Other liabilities	101,750	224,821	326,571	27,625	206,090	233,715
TOTAL CURRENT LIABILITIES	828,111	224,821	1,052,932	750,031	206,090	956,121
TOTAL LIABILITIES	864,661	224,821	1,089,482	882,185	206,090	1,088,275
NET ASSETS	976,827	(224,821)	752,006	941,444	(206,090)	735,354
EQUITY						
Retained earnings	346,167	(224,821)	121,346	310,784	(206,090)	104,694
TOTAL EQUITY	976,827	(224,821)	752,006	941,411	(206,090)	735,321

Fitness Australia Limited

ABN: 51 131 422 403

Notes to the Financial Statements

For the Year Ended 30 June 2018

6 Revenue and Other Income

Revenue from continuing operations	2018	2017
	\$	\$
Sales revenue		
- Business membership	636,916	658,004
- Associate membership	291,555	393,566
- Marketing & business development	-	19,898
- Advertising	85,733	85,490
- Affinity agreements	337,455	240,106
- Registrations	2,374,934	2,724,980
- Accreditation	276,152	230,804
- Sponsorship	-	82,713
- Partnership revenue	-	45,000
- Other revenue	44,673	55,680
	4,047,418	4,536,241
Other income		
- Interest received	3,421	7,180
Total Sales Revenue and Other Income	4,050,839	4,543,421

7 Expenses

(a) Expenses		
Depreciation and Amortisation		
Low value pool	5,494	6,950
Furniture, Fixtures & Fittings	34,626	101,485
Motor Vehicles	21,743	22,973
Computer Equipment	6,596	9,000
Computer Software	105,136	43,726
Website	43,856	14,956
Total Depreciation and Amortisation	217,451	199,090
Other finance costs	680	1,129
Doubtful debt	56,081	-
Superannuation expenses	187,551	202,602
Rental expense on operating leases minimum lease payments	239,948	244,354

Notes to the Financial Statements
For the Year Ended 30 June 2018

8 Income Tax Expense

(a) The major components of tax expense / (income) comprise:

	2018	2017
	\$	\$
Current tax expense		
Deferred tax	-	8,295
Total income tax expense	<u>-</u>	<u>8,295</u>

(b) Reconciliation of income tax to accounting profit:

Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 30%)

Add:

Tax effect of:

- Member adjustments

- non-deductible expenses

- Income from associates not recognised

(48,391) 13,103

15,255 -

6,929 -

(5,287) -

(31,494) 13,103

Less:

Tax effect of:

- non-taxable member income arising from principle of mutuality

(31,494) 4,808

Income tax expense

- 8,295

9 Cash and cash equivalents

Cash at bank in hand	365	94
Short-term bank deposits	136,301	134,300
CBA cheque account	174,168	155,949
CBA online saver account	100,226	373,587
	<u>411,060</u>	<u>663,930</u>

10 Trade and other receivables

CURRENT

Trade receivables

Provision for impairment

Other receivables

Total current trade and other receivables

151,039 419,615

(a) (56,081) -

17,162 44,119

112,120 463,734

Notes to the Financial Statements

For the Year Ended 30 June 2018

10 Trade and other receivables (continued)

(a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2018	2017
	\$	\$
Balance at beginning of the year	-	-
Additional impairment loss recognised	57,354	-
Provision used	(1,273)	-
Balance at end of the year	56,081	-

11 Property, plant and equipment

PLANT AND EQUIPMENT

Low value pool

At cost

99,098 96,339

Accumulated depreciation

(88,561) (83,067)

Total plant and equipment

10,537 13,272

Furniture, fixtures and fittings

At cost

6;7/475 384,142

Accumulated depreciation

(279,580) (244,954)

Total furniture, fixtures and fittings

104,562 139,188

Motor vehicles

Under lease

115,891 115,891

Accumulated depreciation

(80,640) (58,897)

Total motor vehicles

35,251 56,994

Computer equipment

At cost

119,517 115,100

Accumulated depreciation

(111,810) (105,214)

Total computer equipment

7,707 9,886

Total property, plant and equipment

158,057 219,340

Notes to the Financial Statements

For the Year Ended 30 June 2018

11 Property, plant and equipment (continued)

(a) Movements in Carrying Amounts

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

	Low Value Pool	Furniture, Fixtures and Fittings	Motor Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2018					
Balance at the beginning of the year	13,272	139,188	56,994	9,886	219,340
Additions	2,759	-	-	4,417	7,176
Transfers	-	-	-	-	-
Disposals - written down value	-	-	-	-	-
Depreciation expense	(5,494)	(34,626)	(21,743)	(6,596)	(68,459)
Balance at the end of the year	10,537	104,562	35,251	7,707	158,057

12 Intangible Assets

	2018	2017
	\$	\$
Development costs		
Cost	60,634	16,800
Computer software		
Cost	346,958	315,664
Accumulated amortisation	(212,201)	(107,065)
Net carrying value	134,757	208,599
Website		
Cost	255,501	129,218
Accumulated amortisation	(84,662)	(48,958)
Net carrying value	170,839	80,260
Total Intangibles	366,230	305,659

Notes to the Financial Statements

For the Year Ended 30 June 2018

12 Intangible Assets (continued)

(a) Movements in carrying amounts of intangible assets

	Computer software	Website	Development costs	Total
	\$	\$	\$	\$
Year ended 30 June 2018				
Balance at beginning of the year	208,599	80,260	16,800	305,659
Additions	22,594	126,335	60,634	209,563
Transfers	8,700	8,100	(16,800)	-
Amortisation	(105,136)	(43,856)	-	(148,992)
Closing value at 30 June 2018	134,757	170,839	60,634	366,230

During the year, the useful life of Intangible Assets including Website and Software was reassessed from 7 years to 5 years based on a review by management. As a result, this has increased the amortisation costs incurred during the year and is reflected accordingly above.

13 Non-current assets - Investment accounted for using the equity method

As at 30 June 2018 the Company has a 20% (2017: 0%) investment in FILEX Holdings Pty Ltd. The Company's investment in FILEX is accounted for using the equity method in the financial statements. Under the equity method, the increase in investment in FILEX of \$19,225 for the year 30 June 2018 (2017: \$0) represents 20% of the share of profit from Associate (FILEX) from the date of acquisition to 30 June 2018.

	2018	2017
	\$	\$
Net investment in associate	219,225	-

14 Tax assets

Recognised deferred tax assets and liabilities

Deferred tax assets	55,028	55,028
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(a) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

Tax losses	147,439	126,486
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15 Other assets

CURRENT

Prepayments	60,310	133,797
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Fitness Australia Limited

ABN: 51 131 422 403

Notes to the Financial Statements

For the Year Ended 30 June 2018

16 Trade and other payables

	2018	2017
	\$	\$
CURRENT		
Trade payables	113,122	235,679
GST payable	48,667	83,787
Other payables	87,837	141,949
	<u>249,626</u>	<u>461,415</u>

All above liabilities are short term. The carrying values are considered to be a reasonable approximation of fair value.

17 Other liabilities

CURRENT		
Accrued expenses	57,705	38,102
Income received in advance	237,633	288,469
	<u>295,338</u>	<u>326,571</u>

18 Borrowings

CURRENT		
Finance lease	21(a) <u>45,937</u>	<u>62,994</u>

19 Provisions

CURRENT		
Make good provision - Melbourne	20,000	-
Provision for employee benefits	180,954	201,952
	<u>200,954</u>	<u>201,952</u>
NON-CURRENT		
Provision for employee benefits	<u>14,136</u>	<u>36,550</u>

20 Reserves

General reserve	<u>630,660</u>	<u>630,660</u>
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(a) General reserve

The general reserve records funds set aside for future expansion of Fitness Australia Limited.

Notes to the Financial Statements

For the Year Ended 30 June 2018

21 Leasing Commitments

(a) Finance leases

	2018	2017
	\$	\$
Minimum lease payments:		
- not later than one year	45,937	62,994

(b) Operating leases

Minimum lease payments under non-cancelable operating leases:

- not later than one year	131,728	293,216
- between one year and five years	-	300,543

Minimum lease payments

	131,728	593,759
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22 Related Parties

(a) The Company's main related parties are as follows:

Key management personnel - refer to Note 23.

Associates - refer to Note 13.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Loans to related parties

A \$200,000 interest free loan has been provided to the Associate. The loan has been included in net investment in the Associate as disclosed in Note 13.

Three director related entities and a member of key management personal also provided interest free loans totalling \$800,000 to the Associate during the 2018 financial year.

23 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 477,208 (2017: \$ 554,170).

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017:None).

25 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Fitness Australia Limited

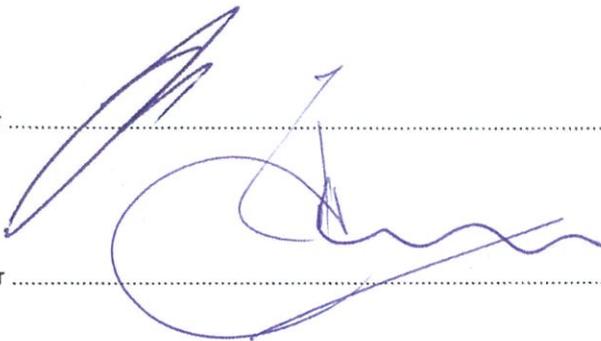
ABN: 51 131 422 403

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 24, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director


Director

Dated this 25th day of OCTOBER 2018

Independent Auditor's Report to the Members of Fitness Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fitness Australia Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information comprises the information in Fitness Australia Limited's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

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Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the 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.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.



Nexia Sydney Partnership



Mark Boyle
Partner

Dated: 25 October 2018
Sydney