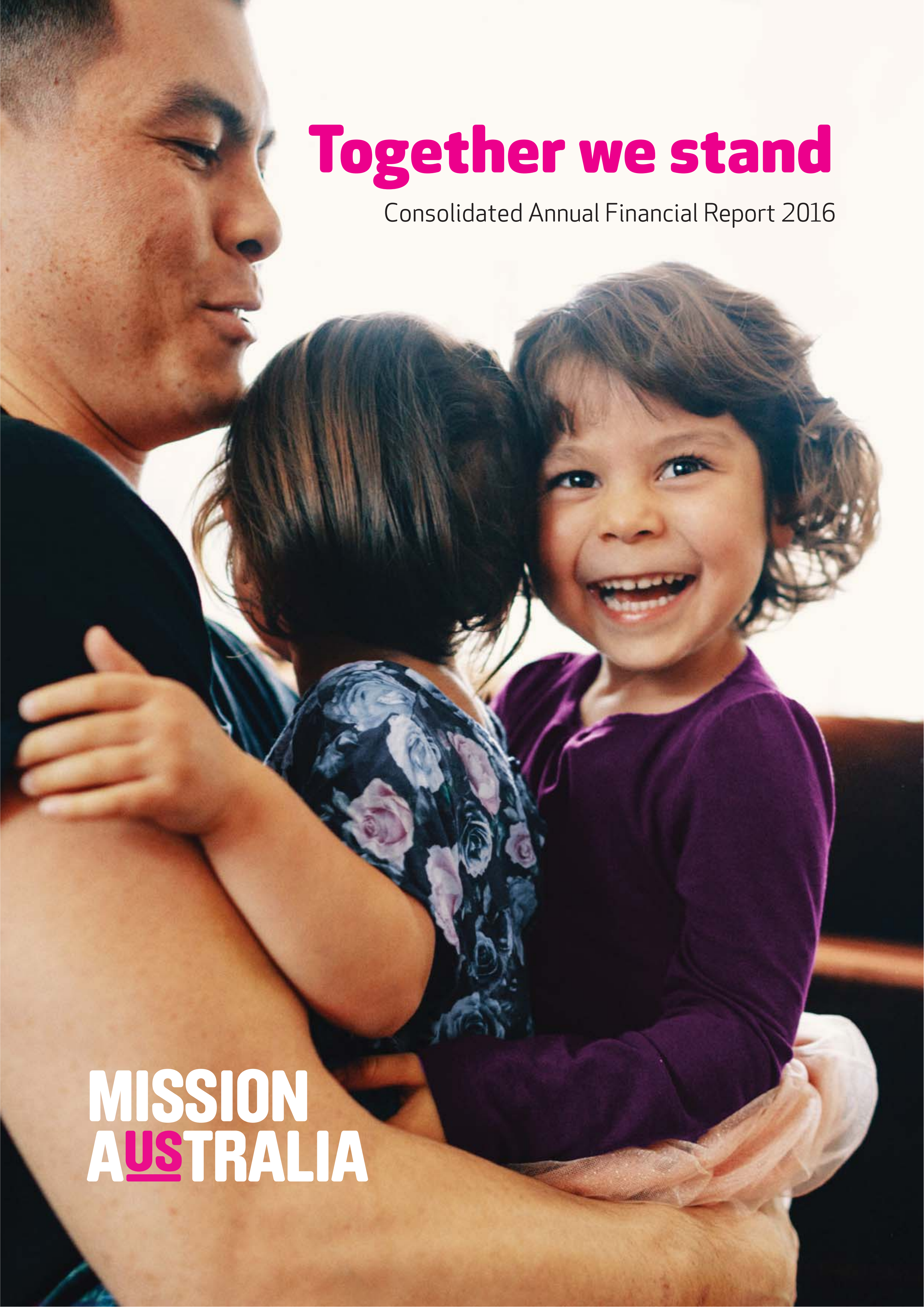
Together we stand

Consolidated Annual Financial Report 2016



MISSION AUSTRALIA

The Directors present their report together with the consolidated financial statements of the Group comprising Mission Australia (the Company) and its controlled entities, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2016 and the auditor's report thereon.

1. Directors

The Directors of Mission Australia at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Ewen G W Crouch AM, BEc (Hons), LLB FAICD President and Chairman[1] Independent Non-Executive Director	Appointed President and Chairman of Mission Australia in 2009 and a Director since 1995. Ewen is a Non-Executive Director of Westpac Banking Corporation and BlueScope Steel Limited, a Board Member of Sydney Symphony Orchestra and Jawun. Ewen is also a consultant at Allens and a member of the Commonwealth Remuneration Tribunal, the AICD's Law Committee, the Corporations Committee of the Law Council of Australia. Ewen is Chairman of the Housing Committee and a member of the Nomination, Remuneration and Succession Committee and the Service Impact Committee. He attends the Board Audit and Risk Committee by invitation.
Mr Kenneth A Dean BCom (Hons), FCPA, FAICD Independent Non-Executive Director	Appointed as a Director in 2015, Ken is a Non-Executive Director of Bluescope Steel Limited and a Non-Executive Director of Energy Australia Holdings Limited. He is a Member of the ASIC Director Advisory Panel and has more than 40 years' experience in the oil and gas industry. He has previously held directorships with Alcoa of Australia Limited, Santos Limited, Woodside Petroleum and Shell Australia Limited, and is the former Chief Financial Officer of Alumina Limited. Ken is Chairman of the Investment and Finance Committee and a member of the Nomination, Remuneration and Succession Committee.
Mr Nicholas S Barnett, BEc, CA, FAICD Independent Non-Executive Director	Appointed as a Director in 2008, Nicholas is Chief Executive Officer of Insync Surveys Pty Ltd, Chairman of Ansvar Insurance Ltd and a former partner of KPMG. Nicholas is a former Chairman of First Samuel and Ambit Group and co-founder of Board Benchmarking and Gender Worx. Nicholas is member of the Service Impact Committee.
The Hon. Dean Brown AO, M.Rur.Sc, Grad.Dipl. Bus Admin, FAICD Independent Non-Executive Director	Appointed as a Director in 2012, Dean is a former Premier of South Australia, with more than 27 years' experience in Parliament. His ministerial responsibilities included Health, Disability Services, Ageing, Aboriginal Affairs and Multicultural Affairs. Dean is Chairman of Hillgrove Resources Ltd, the Playford Memorial Trust and Skills IQ. He is also a Director of Scantech Ltd and Foodbank SA. Dean is the Chairman of the Service Impact Committee.

[1] Ewen Crouch has indicated his intention to retire as a Non-Executive Director of Mission Australia following the 2016 Annual General Meeting to be held on 23 November 2016. Ken Dean has been appointed as Chairman and President elect.

1. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Grant A Dempsey, BComm Independent Non-Executive Director	Appointed as a Director in 2010, Grant is Vice Chairman, Global Investment Banking at JP Morgan. Grant is Chairman of the Nomination, Remuneration and Succession Committee and a member of the Investment and Finance Committee.
Mr Ian Hammond, BA (Hons), FCPA, FCA, GAICD Independent Non-Executive Director	Appointed as a Director in 2016, Ian is a Non-Executive Director of Perpetual Limited, Citibank Australia and Stadium Australia Group and a board member for several not-for-profit organisations including Chris O'Brien Lifehouse and Quiz Worx. Ian is Chairman of the Audit Committee of the Anglican Church of Australia. Previously, he was a Partner of PricewaterhouseCoopers for 26 years and has held a range of senior management positions, including lead partner for several major financial institutions. Ian is a member of the Board Audit and Risk Committee and Housing Committee.
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD Independent Non-Executive Director	Appointed as a Director in 2011, Evelyn was Chairman of Mission Australia Housing and Mission Australia Housing (Victoria) until September 2015. She is also an independent Director of MLC Nominees Pty Ltd, PFS Nominees Pty Ltd, Nulis Nominees (Australia) Ltd and the Tasmanian Public Finance Corporation. Evelyn previously held senior executive roles in government, investment banking and risk management. Evelyn is a member of the Board Audit and Risk Committee and the Investment and Finance Committee.
Ms Jennifer M Lambert, BBus, MEc, CA, GAICD Independent Non-Executive Director	Appointed as a Director in 2005, Jennifer is a Non-Executive Director of Investa Office Management Pty Ltd, the Mosman Church of England Preparatory School and the Sydney Church of England Grammar School Council. Previously, she was the Group Chief Financial Officer of 151 Property (formerly Valad Property Group). Jennifer is Chairman of the Board Audit and Risk Committee and a member of the Housing Committee.
Dr Karin N Sowada, PhD, BA (Hons) Independent Non-Executive Director	Appointed as a Director in 2008, Karin is a Director of Capital Research Pty Ltd and Chair of the Social Issues Committee of the Anglican Church, Sydney Diocese. Karin is the former Chief Executive Officer of Anglican Deaconess Ministries Limited and served as a Senator for New South Wales on behalf of the Australian Democrats in the Federal Parliament. Karin is a member of the Service Impact Committee.
Mr Martin G Watkins, BEc (Hons), CA, MIPC Independent Non-Executive Director	Appointed Vice President in 2001 and a Director since 1996. Martin retired as a Director of Mission Australia at the Annual General Meeting in November 2015.

2. Company Secretary

Ms Sally Ascroft was appointed to the position of Company Secretary on 31 October 2014. She is also General Counsel of Mission Australia.

3. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board Meetings		Board Audit and Risk Committee Meetings		Nomination, Remuneration and Succession Committee Meetings		Service Impact Committee Meetings		Investment and Finance Committee Meetings		Housing Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Ewen G W Crouch AM	6	6	4	4	4	4	4	4	-	-	1	1
Kenneth A Dean	6	6	-	-	4	4	-	-	1	1	-	-
Nicholas S Barnett*	5	6	-	-	-	-	4	4	-	-	-	-
Dean Brown AO*	5	6	-	-	-	-	3	3	-	-	-	-
Grant A Dempsey*	5	6	-	-	4	4	-	-	1	1	-	-
Ian Hammond#	3	3	2	2	-	-	-	-	-	-	1	1
Evelyn Horton	6	6	4	4	-	-	-	-	1	1	-	-
Jennifer M Lambert	6	6	4	4	-	-	-	-	-	-	1	1
Karin N Sowada*	5	6	-	-	-	-	4	4	-	-	-	-
Martin G Watkins**	2	2	2	2	2	2	-	-	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

* Leave of absence granted for 1 meeting   ** Retired at 2015 AGM   # Appointed during the year

4. Corporate governance

Mission Australia is committed to proper and effective corporate governance arrangements. As a registered charity regulated by the Australian Charities and Not-for-profit Commission (ACNC), Mission Australia applies the ACNC Governance Standards and in applying them is guided by, where practicable and relevant to do so, the Corporate Governance Principles and Recommendations established by the Australian Securities Exchange Corporate Governance Council.

4. Corporate governance (continued)

The Mission Australia Board has overall responsibility for the financial performance of the Mission Australia Group and the achievement of its founding purpose. The Mission Australia Board recognises its role in overseeing the determination and implementation of policies and processes that reflect good corporate governance aligned with the ACNC Governance Standards, our contractual commitments and stakeholder expectations that together with our Values inform and guide the organisation.

Mission Australia's full corporate Governance Statement is available on the Mission Australia website at missionaustralia.com.au.

5. Principal activities and objectives

In pursuit of its founding purpose, the principal activities of Mission Australia during the financial year were to meet human need and spread the knowledge and the love of God through our actions and deeds. We assisted people in need, regardless of creed, through activities such as accommodation provision, family support services, child care, aged care, and youth and employment services. No significant changes in the nature of these activities occurred during the year.

6. Operating and financial review

6.1 Overview of the Group

Reference in this financial report to the Group relates to the consolidated results of Mission Australia and its controlled entities Mission Australia Housing, Mission Australia Housing (Victoria), Mission Australia Early Learning and Sir David Martin Foundation.

6.2 Review of operations and results

The Group reported an underlying operating surplus of $16.2 million (2015: $4.6 million).The net surplus for the year of $47.3 million (2015: $197.8 million) includes a range of non-operating items and income recognised on the receipt of capital and housing grants and adjustments to the fair value of housing properties.

In thousands of AUD	**2016**	**2015**
Revenue	286,272	339,143
Expenditure	(270,060)	(334,498)
Underlying surplus	**16,212**	**4,645**
Net investing and finance income	1,221	1,097
Other non-operating costs	(346)	(6,786)
Share of profit of equity accounted investees	-	1,562
Impairment of equity accounted investees	(8,668)	-
Movement in net assets of joint venture	(1,321)	2,522
Net surplus before capital grants and housing properties	**7,098**	**3,040**
Capital grants	5,125	60
Housing grants recognised as revenue at fair value	220	184,400
Change in fair value of investment properties	34,831	10,311
Net surplus for the year	**47,274**	**197,811**

6. Operating and financial review (continued)

6.2 Review of operations and results (continued)

Mission Australia is primarily focused on the provision of community services, social and affordable housing and early learning services that are aligned with the organisations strategic goal to reduce homelessness and strengthen communities. In the prior financial year, Mission Australia exited the direct provision of the Federal Government’s principal employment services contract although remains engaged in this service area through a joint venture interest in Mission Providence.

The financial year ended 30 June 2016 has seen a continued focus on the financial performance and viability of services to ensure long term sustainability of the organisation. Notably, the underlying surplus reflects an improvement in the contribution from early learning services and a reduction in net administrative costs following the exit from employment services.

The underlying surplus has also benefited significantly from the supporters of Mission Australia and Sir David Martin Foundation including those who bequeathed generously in their estates. The timing and amounts of such bequests are unpredictable but enabled Mission Australia to commit to the development of Benjamin Short Grove, an aged care facility in Orange, for the formerly homeless, and the David Martin Centre, a detox facility adjacent to our current youth alcohol and other drug rehabilitation service - Triple Care Farm. These facilities are also recipients of capital grants from the Federal Government.

Other significant items within the overall Group net surplus include:

- The impairment of an equity interest in the UK based employment provider Working Links; and
- An increased fair value of Mission Australia Housing properties.

6.3 Significant changes in the state of affairs

In the opinion of the Directors, other than set out in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

7. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. Likely developments

In the opinion of the Directors, there are no other likely changes in the operations of the Group that will adversely or significantly affect the results of the Group in subsequent financial years.

9. Directors' interests

The Directors had no material interests in contracts or proposed contracts with the Group during the course of the financial year other than that noted in the statutory information of this report.

10. Indemnification and insurance of officers and Directors

As Mission Australia is a company limited by guarantee, none of the Directors have any interest in the profit and assets of Mission Australia but each, as a member, is liable to contribute an amount not exceeding 10 cents.

Mission Australia pays premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director, other than conduct involving a wilful breach of duty.

To the extent permitted by law, Mission Australia indemnifies every person who is or has been a Director or officer against any liability to any person incurred while acting in that capacity in good faith and against costs and expenses incurred by that person in that capacity in defending legal proceedings and ancillary matters. Mission Australia operates to the extent that the loss or liability is not covered by a valid and current insurance policy.

Mission Australia has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Directors and officers of Mission Australia. The insurance is in the normal course of business and grants indemnity for liabilities permitted to be indemnified by Mission Australia under Section 199 of the *Corporations Act 2001.* In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

11. Performance measurements

The Group monitors its performance against budget and a rolling forecast. The budget is approved by the Board of Directors prior to commencement of the financial year. Financial results are presented to the Board of Directors by senior management of the Group. The Board uses this information for future planning, tracking progress over time and determining whether agreed objectives or standards have been met.

The Board reviews performance based on business segments, which are identified by the type of services being provided. Refer to Note 3 *Operating segments* for more details on performance of individual business segments.

12. Non-audit services

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit services provided during the year are set out below. In addition, amounts paid to other auditors for other assurance services have been disclosed:

In AUD	**2016**	**2015**
Audit services:		
Audit and review of financial reports	**226,300**	**237,200**
Services other than statutory audit:		
Other services		
Other assurance services	**35,494**	**77,734**

KPMG also provided audit services for approximately 200 (2015: 250) projects that require an audited acquittal statement by the funding bodies. The costs of the acquittal audit services provided by KPMG in 2016 were $194,000 (2015: $235,000). These costs were acquitted to the individual projects.

13. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' Report for the financial year ended 30 June 2016.

14. Registered office

The registered office and principal place of business is Level 7, 580 George Street, Sydney, New South Wales 2000.

15. Bankers

Westpac Banking Corporation and Commonwealth Bank of Australia are the primary bankers of Mission Australia and its controlled entities.

16. Founder

In 1862 Benjamin Short founded the Sydney City Mission - the antecedent organisation of Mission Australia. It came into being three years after the Town and Country Mission (later to be known as the Brisbane City Mission) was established in Queensland. In the decades that followed many more missions were set up to proclaim the gospel of Jesus Christ and to care for the colonial poor. In 1997 they officially came together as Mission Australia, a single, unified, non-denominational Christian organisation with an integrated approach to meeting Australia's social needs.

17. Founding Purpose

Inspired by Jesus Christ, Mission Australia exists to meet human need and to spread the knowledge of the love of God without reference to denomination or other distinction.

18. Rounding off

The Group is of a kind referred to Instrument 2016/191 dated 30 June 2016 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

19. Notice of meeting

The Annual General Meeting of Mission Australia will be held on 23 November 2016 at the office of KPMG – Tower Three, International Tower Sydney, Level 38, 300 Barangaroo Avenue, Sydney NSW 2000, where this report will be presented.

This report is made in accordance with a resolution of the Directors:

Ewen G W Crouch AM

President and Chairman

Sydney, 18 October 2016

Jennifer M Lambert

Chair, Board Audit and Risk Committee

Sydney, 18 October 2016

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 Mission Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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

KPMG

Anthony Travers
Partner

Sydney

18 October 2016

For the year ended 30 June 2016

In thousands of AUD	**Note**	**2016**	**2015**
Revenue from rendering services	4	227,140	286,284
Income from fundraising	4	30,671	27,029
Income from rental	4	21,102	19,920
Income from sale of goods	4	6,401	8,277
Revenue from housing grants - restricted	5	220	184,400
Gain on sale of property, plant and equipment		-	612
Other income	6	42,283	12,392
Total revenue for the year		**327,817**	**538,914**
Personnel expenses	26	(169,835)	(216,363)
Occupancy and accommodation expenses		(30,338)	(47,323)
Transport and equipment hire expenses		(9,106)	(11,144)
Communication expenses		(12,189)	(12,712)
Client expenses		(10,569)	(8,125)
Depreciation and amortisation expenses	9,10	(8,370)	(8,074)
Restructuring costs		-	(9,265)
Insurance expenses		(1,542)	(1,978)
Other expenses		(28,845)	(31,300)
Total expenses for the year		**(270,794)**	**(346,284)**
Results from operating activities		**57,023**	**192,630**
Finance income		1,507	2,489
Finance costs		(1,267)	(1,392)
Net finance income	19	**240**	**1,097**
Share of equity accounted investees		-	1,562
Impairment of equity accounted investees	23	(8,668)	-
Share of net assets of joint venture	23	(1,321)	2,522
Net surplus for the year		**47,274**	**197,811**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	9	4,037	(92)
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(1,295)	(19)
Other comprehensive income for the year		**2,742**	**(111)**
Total comprehensive income for the year		**50,016**	**197,700**
Net surplus attributable to			
Members of the Company		47,274	197,811
Surplus for the year		**47,274**	**197,811**
Total comprehensive income attributable to			
Members of the Company		50,016	197,700
Comprehensive income for the year		**50,016**	**197,700**

The notes on pages 16 to 53 are an integral part of these consolidated financial statements.

As at 30 June 2016

In thousands of AUD	**Note**	**2016**	**2015**
Assets			
Cash and cash equivalents	18	38,205	39,163
Trade and other receivables	13	12,807	13,259
Investments	14	27,121	17,012
Prepayments and other assets		3,431	4,196
Total current assets		**81,564**	**73,630**
Trade and other receivables	13	6,483	6,530
Investments	14	2,200	-
Investments in equity accounted investees	23	1,201	14,774
Investment property	8	20,878	12,610
Investment property - restricted	8	366,999	333,413
Property, plant and equipment	9	82,624	77,756
Intangible assets	10	3,590	6,332
Total non-current assets		**483,975**	**451,415**
Total assets		**565,539**	**525,045**
Liabilities			
Trade and other payables		22,214	26,954
Provisions	16	8,514	11,346
Loans and borrowings	15	-	724
Employee benefits		11,953	12,300
Deferred income	20	17,510	22,106
Total current liabilities		**60,191**	**73,430**
Other payables		3,584	3,338
Provisions	16	3,042	3,917
Loans and borrowings	15	21,050	16,500
Employee benefits		2,604	3,206
Deferred income	20	398	-
Total non-current liabilities		**30,678**	**26,961**
Total liabilities		**90,869**	**100,391**
Net assets		**474,670**	**424,654**
Equity			
Cash flow hedging reserve	17	(2,157)	(862)
Asset revaluation reserve	17	20,466	16,429
Accumulated surplus	17	89,119	79,638
Restricted accumulated surplus	17	367,242	329,449
Total equity		**474,670**	**424,654**

The notes on pages 16 to 53 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

In thousands of AUD	Note	Cash flow Hedge Reserve	Asset Revaluation Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Balance at 1 July 2014		(843)	20,585	75,679	133,660	229,081
Adjustment to accumulated surplus 2014-15 arising from sale of properties		-	(4,064)	4,064	-	-
Deconsolidation of Many Rivers Microfinance Limited		-	-	(2,127)	-	(2,127)
Total comprehensive income for the year						
Surplus		-	-	2,022	195,789	197,811
Other comprehensive income / (loss)						
Effective portion of changes in fair value of cash flow hedging reserve		(19)	-	-	-	(19)
Revaluation decrement	9	-	(92)	-	-	(92)
Total other comprehensive loss		(19)	(92)	-	-	(111)
Total comprehensive (loss) / income for the year		(19)	(92)	2,022	195,789	197,700
Balance at 30 June 2015		**(862)**	**16,429**	**79,638**	**329,449**	**424,654**
Balance at 1 July 2015		(862)	16,429	79,638	329,449	424,654
Total comprehensive income for the year						
Surplus		-	-	9,481	37,793	47,274
Other comprehensive income / (loss)						
Effective portion of changes in fair value of cash flow hedging reserve		(1,295)	-	-	-	(1,295)
Revaluation increment	9	-	4,037	-	-	4,037
Total other comprehensive loss		(1,295)	4,037	-	-	2,742
Total comprehensive (loss) / income for the year		**(1,295)**	**4,037**	**9,481**	**37,793**	**50,016**
Balance at 30 June 2016		**(2,157)**	**20,466**	**89,119**	**367,242**	**474,670**

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

In thousands of AUD	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		321,808	384,717
Cash paid to suppliers and employees		(307,342)	(365,633)
Cash generated from operations		**14,466**	**19,084**
Interest received	19	1,336	1,259
Interest paid		(981)	(1,137)
External donations paid		-	(8)
Net cash from operating activities	18	**14,821**	**19,198**
Cash flows from investing activities			
Proceeds from dividend	19	105	106
Proceeds from sale of investment properties		-	9,179
Payments for fixed assets and investment		(12,458)	(3,739)
Payments for intangible assets	10	(1,342)	(947)
Proceeds from sale of assets		1,853	7,041
Procced from sale of financial asset		4,663	-
Proceeds from redemption of subordinated note		-	3,366
Payment for investments		(12,200)	-
Net cash from / (used in) investing activities		**(19,379)**	**15,006**
Cash flows from financing activities			
Proceeds from bank borrowings		4,550	-
Repayment of borrowings		(724)	(5,212)
Payment of borrowing cost		(226)	-
Net cash used in financing activities		**3,600**	**(5,212)**
Net increase / (decrease) in cash and cash equivalents		(958)	28,992
Cash and cash equivalents at 1 July		39,163	13,469
Deconsolidation of Many Rivers Microfinance		-	(3,298)
Cash and cash equivalents at 30 June	18	**38,205**	**39,163**

The notes on pages 16 to 53 are an integral part of these consolidated financial statements.

About this report

1. Reporting entity

Mission Australia (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW 2000 Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its controlled entities (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

- The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).The consolidated financial statements were authorised for issue by the Board of Directors on 18 October 2016.
- The consolidated financial statements have been prepared on the historical cost basis except for the following:
  - derivative financial instruments are measured at fair value;
  - financial instruments at fair value through profit or loss are measured at fair value; and
  - Land & Building and investment property are measured at fair value (except assets classified under asset class *Land and buildings – Aged Care* which are measured at cost).

  The methods used to measure fair values are discussed further in Note 22. The financial report has been prepared on a going concern basis.

Our key numbers and fundraising

This section provides the information that is the most relevant to understanding the financial performance of the Group during the financial year including the performance of divisions and fundraising.

Mission Australia continues to receive generous financial support from a broad cross section of Australian society.

3. Operating segments

During the year the Group comprised the following main reportable segments:

Division	Primary activities
Community services	The improvement of health, well-being, social and economic participation of Australia's disadvantaged people as well as supporting access to stable, secure and long-term accommodation / crisis accommodation.
Housing services	The provision of social and affordable housing to people in need.
Early learning	The provision of high-quality early learning and care for children.
Employment services*	The provision of assistance to job seekers, particularly the disadvantaged and long-term unemployed.
Fundraising	The fundraising division raises money from donors to be contributed towards other divisions to help people in need.
Other	Other operations include the Sir David Martin Foundation and miscellaneous activities other than those listed above.

The Directors and management monitor the operations by the above reportable segments. All of the above mentioned segments are managed solely in Australia.

*Employment services ceased to be a separate Reporting Segment at the expiry of the Job Services Australia contract on June 2015. Continuing services from this segment are managed and reported in the Community Services division.

3. Operating segments (continued)

Information about reportable segments

2016	*Community Services*	*Housing Services*	*Early Learning*	*Employment Services*	*Fundraising*	*Total Reportable Segments*	*Other*	*Total*
In thousands of AUD								
External revenues	184,718	54,439	48,137	-	20,340	307,634	20,183	327,817
Inter-segment revenues	4,331	91	102	-	(3,998)	526	43,120	43,646
Segment revenues	189,049	54,530	48,239	-	16,342	308,160	63,303	371,463
Interest income	10	207	-	-	-	217	1,119	1,336
Interest expense	-	(981)	(10)	-	-	(991)	(276)	(1,267)
Depreciation expense	(817)	(271)	(436)	-	-	(1,524)	(2,391)	(3,915)
Amortisation expense	(1)	(403)	(10)	-	-	(414)	(4,042)	(4,456)
Reportable segment surplus / (deficit)	**4,420**	**36,728**	**(1,821)**	**-**	**7,587**	**46,914**	**360**	**47,274**
Impairment of equity accounted investees	-	-	-	-	-	-	(8,668)	(8,668)
Share of loss of joint venture	-	-	-	-	-	-	(1,321)	(1,321)
Other material non-cash items:						-		-
Change in the fair value movement	-	34,831	-	-	-	34,831	-	34,831
Reportable segment assets	304	403,236	4,083	-	209	407,832	156,506	564,338
Investment in associates	-	-	-	-	-	-	1,201	1,201
Capital expenditure	-	-	-	-	-	-	12,411	12,411
Reportable segment liabilities	(15,392)	(27,502)	(10,941)	-	(409)	(54,244)	(36,625)	(90,869)

2015	*Community Services*	*Housing Services*	*Early Learning*	*Employment Services*	*Fundraising*	*Total Reportable Segments*	*Other*	*Total*
In thousands of AUD								
External revenues	158,868	212,935	45,501	85,618	21,523	524,445	14,469	538,914
Inter-segment revenues	7,568	119	2,354	358	(6,736)	3,663	46,528	50,191
Segment revenues	166,436	213,054	47,855	85,976	14,787	528,108	60,997	589,105
Interest income	-	204	-	-	-	204	1,055	1,259
Interest expense	-	(1,139)	(15)	-	-	(1,154)	(238)	(1,392)
Depreciation expense	(876)	(264)	(453)	(555)	-	(2,148)	(3,120)	(5,268)
Amortisation expense	(2)	(403)	(10)	-	-	(415)	(2,392)	(2,807)
Reportable segment (deficit) / surplus	**3,355**	**195,789**	**(5,091)**	**(1,039)**	**7,976**	**200,990**	**(3,179)**	**197,811**
Share of profit of equity method investees	-	-	-	-	-	-	1,562	1,562
Share of profit of joint venture	-	-	-	-	-	-	2,522	2,522
Other material non-cash items:								
Change in the fair value movement	-	10,291	-	-	-	10,291	20	10,311
Make good provision	2,883	-	2,689	-	-	5,572	-	5,572
Onerous lease	-	-	805	-	-	805	-	805
Fair value of properties received under NBESP*	-	184,400	-	-	-	184,400	-	184,400
Reportable segment assets	281	361,655	2,459	3,234	424	368,053	142,218	510,271
Investment in associates	-	-	-	-	-	-	14,774	14,774
Capital expenditure	-	-	-	-	-	-	5,250	5,250
Reportable segment liabilities	(17,902)	(21,314)	(12,266)	(1,761)	-	(53,243)	(47,148)	(100,391)

3. Operating segments (continued)

Reportable segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other

In thousands of AUD

	2016	2015
Revenues		
Total revenue for reportable segments	308,160	528,108
Other revenue	63,303	60,997
Elimination of inter-segment revenue	(43,646)	(50,191)
Consolidated revenue	327,817	538,914
Surplus		
Total profit for reportable segments	46,914	200,990
Other profit / (loss)	360	(3,179)
Consolidated surplus	47,274	197,811
Assets		
Total assets for reportable segments	407,832	368,053
Other assets	156,506	142,218
Investment in equity accounted associates	1,201	14,774
Consolidated total assets	565,539	525,045
Liabilities		
Total liabilities for reportable segments	54,244	53,243
Other liabilities	36,625	47,148
Consolidated total liabilities	90,869	100,391

Other Material Items 2016	**Reportable Segment totals**	**Adjustments**	**Consolidated totals**
In thousands of AUD			
Interest revenue	217	1,119	1,336
Interest expenses	(991)	(276)	(1,267)
Capital expenditure	-	(12,411)	(12,411)
Depreciation and amortisation	(1,938)	(6,433)	(8,371)

4. Revenue

In thousands of AUD	**2016**	**2015**
Revenue from rendering services		
Community Services	169,641	227,898
Housing	3,090	2,675
Early Learning	47,974	45,324
Other	6,435	10,387
	227,140	**286,284**
Income from fundraising	**30,671**	**27,029**
Income from rental	**21,102**	**19,920**
Income from sale of goods	**6,401**	**8,277**

Accounting Policy

Services revenue

Revenue from services rendered is recognised in profit or loss upon the delivery of service to the customers.

Fundraising revenue

Fundraising income is recognised on receipt of cash or credit card donations. Pledges are only recognised as income if they are enforceable against the donor.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

5. Housing grants

In thousands of AUD	**2016**	**2015**
BHF* grant received	220	-
Fair value of properties received under NBESP **	-	151,400
Fair value of properties received under Camperdown Common Ground	-	33,000
Total grant received	**220**	**184,400**

* *Better Housing Futures*

** *Nation Building Economic Stimulus Plan*

Refer to Note 8 – *Investment properties* for more background information on assets received under NBESP and Camperdown Common Ground.

5. Housing grants (continued)

Accounting Policy

Revenue from housing grants

Revenue from housing grants is recognised to the extent that the significant risks and rewards associated with the grant have been transferred to the Group; the significant act underlying the grant agreement has been fulfilled; and the funds have been expended (where applicable) for the grant purpose.

6. Other income

In thousands of AUD	**2016**	**2015**
Change in fair value of investment properties (Restricted)	34,831	10,311
Other capital grants	5,125	60
Other miscellaneous income	2,327	2,021
	42,283	**12,392**

7. Fundraising information

As required by the *Charitable Fundraising Act (NSW) 1991* and regulations (similar but not identical provisions exist in Queensland, Western Australia and South Australia Fundraising Acts).

Fundraising appeals conducted during the year

Various fundraising activities were conducted during the year including appeals, regular giving, major gifts and corporate partnerships.

In thousands of AUD		**2016**	**2015**
Results of fundraising appeals			
(a)	Gross proceeds from fundraising appeals	30,671	27,029
	Less: direct costs of fundraising appeals	(6,260)	(4,537)
	Net surplus obtained from fundraising appeals	24,411	22,492
(b)	Application of net surplus obtained from fundraising appeals		
	Community services expenditure	164,825	163,074

Gross proceeds from fundraising appeals for 2016 includes bequests of $11.7 million (2015: $7.0 million).

Our assets platform

This section provides information relating to the operating assets and liabilities of the Group. Mission Australia is committed to long term financial sustainability and growth.

8. Investment property

In thousands of AUD	*Group Properties*	*SHGF**	*NBESP***	*Camperdown Common Ground*	*Total*
Fair value					
Balance at 1 July 2014	9,709	33,848	106,353	-	149,910
Purchased and capital expenditure	1,730	-	-	-	1,730
Received as stock transfer	-	-	151,400	33,000	184,400
Disposal	(328)	-	-	-	(328)
Change in fair value	1,499	3,590	5,222	-	10,311
Balance at 30 June 2015	12,610	37,438	262,975	33,000	346,023
Balance at 1 July 2015	12,610	37,438	262,975	33,000	346,023
Purchased and capital expenditure	7,023	-	-	-	7,023
Received as stock transfer	220	-	-	-	220
Disposal	(220)	-	-	-	(220)
Change in fair value	1,245	4,358	26,258	2,970	34,831
Balance at 30 June 2016	**20,878**	**41,796**	**289,233**	**35,970**	**387,877**

* *Social Housing Growth Fund*

** *Nation Building Economic Stimulus Plan*

This note provides information about the grants received by Mission Australia Housing from various state governments in the form of stock transfer or cash grants to purchase the housing stock.

Stock transfers received under Nation Building Economic Stimulus Plan (NBESP)

In 2011, Mission Australia Housing was successful in its tender application to take on the ownership management of 68 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative.

Stock transfers received under Camperdown Common Ground

In December 2014, Mission Australia Housing received ownership from Housing NSW in relation to 104 units at 31 Pyrmont Bridge Road, Camperdown that were previously managed under a leasehold agreement as part of the Camperdown Common Ground Project.

The NBESP and Camperdown Common Ground grants are subject to certain conditions by which Mission Australia Housing must abide. Failure to comply with these conditions could result in returning the assets (transferred under the two grants) to the funding bodies. Mission Australia Housing has assessed the likelihood of breaching or being non-compliant to these conditions as less than remote.

8. Investment property (continued)

Stock transfers received under Camperdown Common Ground (continued)

Assets received from Camperdown Common Ground grant and those received under NBESP scheme are classified as restricted because of the conditions provided in the respective agreements. These conditions restrict the sale of the assets for certain periods or restrict the use of sale proceeds generated by the sale of these assets.

The SHGF agreements restrict sale of assets for the term of the agreement. The assets received under the NBESP scheme restrict the use of sale proceeds where these proceeds can only be used towards purchase of similar social housing stock.

Security

At 30 June 2016, investment properties with a carrying amount of $332.4 million; (2015: $44.9 million) is subject to a mortgage to secure bank loans.

Accounting Policy

Recognition and measurement

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to accumulated surplus.

Valuation methodology

Independent valuations are obtained for each investment property at least once every three years. Investment properties in Mission Australia Housing are used for rental purposes to provide social and affordable housing.

In accordance with AASB 13 *Fair Value Measurement*, the Group has determined the highest and best use for the properties in Mission Australia Housing to be residential dwellings.

9. Property, plant and equipment

Cost or fair value	*-- Fair Value* Land and buildings	*At Cost* Land and buildings - Aged Care	Leasehold Improvement	Plant and Equipment	IT Assets	Capital Work In Progress	Total
In thousands of AUD							
Carrying amount as at 1 July 2014	43,327	32,392	4,956	3,065	1,920	856	86,516
Additions	-	-	2,242	303	668	307	3,520
Revaluation	(129)	-	-	-	-	-	(129)
Disposals	(6,131)	-	(273)	(223)	(293)	-	(6,920)
Depreciation expenses	(273)	(353)	(2,385)	(1,020)	(1,237)	-	(5,268)
Off set of depreciation upon revaluation	37	-	-	-	-	-	37
Balance at 30 June 2015	36,831	32,039	4,540	2,125	1,058	1,163	77,756
Assets book value	37,706	32,941	13,935	6,950	3,452	1,163	96,147
Accumulated depreciation	(875)	(902)	(9,395)	(4,825)	(2,394)	-	(18,391)
Carrying amount as at 1 July 2015	36,831	32,039	4,540	2,125	1,058	1,163	77,756
Additions	-	-	1,278	506	1,008	2,596	5,388
Revaluation	3,435	-	-	-	-	-	3,435
Disposals	-	-	(72)	(571)	-	-	(643)
Depreciation expenses	(253)	(353)	(1,708)	(800)	(801)	-	(3,915)
Off set of depreciation upon revaluation	603	-	-	-	-	-	603
Balance at 30 June 2016	40,616	31,686	4,038	1,260	1,265	3,759	82,624
Assets book value	41,141	32,941	14,637	5,901	4,460	3,759	102,839
Accumulated depreciation	(525)	(1,255)	(10,599)	(4,641)	(3,195)	-	(20,215)

Land and buildings are valued at fair value. Each property is valued by an external expert at least every three years and by the Directors and management based on valuations and assessment of market conditions. *Land and buildings – Aged Care* are valued at cost. *Land and buildings – Aged Care* include assets that have restricted revenue streams and their use is governed by the conditions under which the grant was provided by the government to purchase or construct the facility.

Security

At 30 June 2016, Land and buildings with a carrying amount of $56.1 million (2015: $49.5 million) are subject to a mortgage to secure bank loans.

Accounting Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of items of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Land and Buildings – Aged Care, Leasehold improvement, plant and equipment and IT assets are measured at cost less accumulated depreciation and impairment losses.

9. Property, plant and equipment (continued)

Accounting Policy (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight line method over the estimated useful lives, and is generally recognised in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Buildings 50 years
- Leasehold Improvements 3-10 years
- Plant and equipment 3-5 years
- IT assets 3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, 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.

10. Intangible assets

Cost	**Computer Software**
In thousands of AUD	
Carrying amount as at 1 July 2014	8,191
Acquisitions	947
Amortisation expense	(2,806)
Closing net book value as at 30 June 2015	**6,332**
Assets book value	21,274
Accumulated amortisation	(14,942)
Carrying amount as at 1 July 2015	6,332
Acquisitions	(144)
Amortisation expense	(2,598)
Closing net book value as at 30 June 2016	**3,590**
Assets book value	20,953
Accumulated amortisation	(17,363)

10. Intangible assets (continued)

Accounting Policy

Software

Software that is acquired or internally developed by the Group and has a finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

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 and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 1-5 years

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

Bed licence

Bed Licences are granted for no consideration by the Department of Health and Ageing in perpetuity and their useful life is considered to be indefinite. They are recognised at their fair value on the date of acquisition only if it is probable that the future economic benefits attributable to the bed licences will flow to the Company and the fair value of bed licences can be measured reliably. Purchased bed licences are recognised at their cost of acquisition on the acquisition date.

The Group owns 192 bed licences which were granted by the Australian Government Department of Health and Ageing for no consideration.

In the absence of an active market and having regard to restrictions attached to the bed licences granted to the Group, The Directors have determined their fair value in use to be nil.

11. Capital commitments

11.1 Capital commitments

In 2012, Mission Australia entered into a contract with Australian Government Department of Health and Ageing to construct an aged care facility in regional New South Wales. The funding of $14.7 million will be provided by the Department of Health and Ageing over the period of construction.

Mission Australia Housing has contractual commitments with Housing NSW, as a condition of the transfer of properties under the NBESP scheme and with Housing Tasmania, towards increasing the social and affordable housing stock in NSW and Tasmania.

11. Capital commitments (continued)

11.2 Leases as lessor

The Group leases out its investment property (see Note 8).

The future minimum lease receipts under non-cancellable leases are as follows:

In thousands of AUD	**2016**	**2015**
Less than one year	831	1,367
Between one and five years	74	523
More than five years	-	-
	905	**1,890**

During the year, $18.0 million was recognised as rental income in profit and loss (2015: $16.8 million).

11.3 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to fulfil this obligation, Mission Australia Housing sets aside cash resources. Refer to Note 18 *Cash and Cash Equivalents* for details of cash set aside in the current financial year.

Failure to meet this obligation may result in withdrawal of the Company's registration as Community Housing Provider and other consequences of default within its contract with Housing NSW and Housing Tasmania.

12. Operating lease

12.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2016**	**2015**
Less than one year	14,675	16,909
Between one and five years	16,158	20,470
More than five years	2,534	3,640
	33,367	**41,019**

The Group leases a number of properties, motor vehicles and IT equipment under operating leases. The commitments greater than five years all relate to rental property leases. Other leases typically run for a period of three years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year ended 30 June 2016, the Group recognised $17.9 million (2015: $27.3 million) as an expense in the income statement in respect of operating leases.

12. Operating lease (continued)

Accounting Policy

Lease payments

Payments made under operating leases are recognised in profit or loss 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.

13. Trade and other receivables

In thousands of AUD	2016	2015
Current		
Trade receivables	11,981	12,542
Other receivables	826	717
	12,807	13,259
Non Current		
Subordinated notes in Goodstart Early Learning	3,431	3,366
Other non-current receivables	3,052	3,164
	6,483	6,530
	19,290	**19,789**

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 21.

Accounting Policy

Impairment

Non-derivative financial assets

Financial assets not classified at fair value through profit or loss, including an interest in an equity accounted investees, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Non-derivative financial assets – Recognition and derecognition

The Group initially recognises loans, receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group 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 of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

13. Trade and other receivables (continued)

Accounting Policy (continued)

Financial assets and liabilities are offset and the net amount presented in the *Statement of Financial Position* when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

14. Investments

In thousands of AUD	**2016**	**2015**
Current investments		
Opening balance	17,012	15,989
Movement in fair value	109	1,023
Term deposit	10,000	-
Financial assets designated at fair value through profit or loss	**27,121**	**17,012**
Non Current investments		
Term deposit	**2,200**	**-**

The financial assets designated at fair value through profit or losses are equity securities managed by JB Were and Westpac. Fair value represents the market value of the financial assets at balance date. The Group's exposure to credit and equity price risks related to other investments is disclosed in Note 21.

Accounting Policy

Non-derivative financial assets - Measurement

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in the profit or loss.

Our financing and capital structure

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance and how the risks are managed.

15. Loans and borrowings

This note provides information about the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate risk and liquidity risk, see Note 21.

Terms and conditions of outstanding loans were as follows:

In thousands of AUD	Currency	Average interest rate	Year of maturity	30 June 2016 Face Value	30 June 2016 Carrying amount	30 June 2015 Face value	30 June 2015 Carrying amount
Secured bank loan	AUD	3.9%	2018	21,050	21,050	16,500	16,500
Unsecured loan	AUD	0.0%	2015	-	-	724	724
Total interest-bearing liabilities				**21,050**	**21,050**	**17,224**	**17,224**

The Company has an $11.0 million (2015: $11.0 million) revolving cash advance and overdraft facility with its bankers. As at 30 June 2016, this facility remained unutilised (2015: Nil).

The bank loan are secured over land and buildings and investment properties with a carrying amount of $388.5 million (2015: $94.4 million).

Accounting Policy

Financial instruments

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

15. Loans and borrowings (continued)

Accounting Policy (continued)

Financial instruments (continued)

Cash flow hedges (continued)

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedge item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

16. Provisions

In thousands of AUD	**2016**	**2015**
Current		
Onerous Lease provision	587	805
Make Good Provision	4,271	3,787
Restructure provision	3,656	6,754
	8,514	**11,346**
Non current		
Make Good Provision	3,042	3,917
	3,042	**3,917**

Accounting Policy

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 finance cost.

Make Good Provision

The Group recognises a make good provision in relation to its leasehold properties. The make good provisions are initially recognised at the best estimate of the costs to be incurred in settling the obligation.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

17. Capital and reserves

17.1 Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of land and buildings.

17.2 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

17.3 Accumulated surplus

Accumulated surplus comprises an aggregate of the retained earnings, total recognised income and expense as well as transfers from the asset revaluation reserve.

17.4 Restricted accumulated surplus

The Group has restricted accumulated surplus of $367.2 million; (2015: $329.4 million) in the current financial year. This consists of the following transactions/balances:

In thousands of AUD	**2016**	**2015**
Opening balance	329,449	133,660
Fair value of properties purchased from BHF	220	-
Fair value of properties received under NBESP	-	151,400
Fair value of properties received under Camperdown Common Ground	-	33,000
Surplus of housing entities recognised as restricted	37,573	11,389
	367,242	**329,449**

The Group has recognised an additional restricted accumulated surplus of $37.8 million (2015: $195.8 million) in the current financial year.

18. Cash and cash equivalents

In thousands of AUD	**2016**	**2015**
Bank balances	34,302	36,355
Bank balances - Sinking fund	3,903	2,808
Cash and cash equivalents in the statement of cash flows	**38,205**	**39,163**

Sinking Funds are cash balances set aside for periodic repairs and maintenance of investment properties and are utilised per the long-term asset management plan.

As a licensed housing provider, Mission Australia Housing and Mission Australia Housing (Victoria) have an obligation to set aside resources for the periodic repair and maintenance of housing properties.

18. Cash and cash equivalents (continued)

18.1 Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2016	2015
Cash flows from operating activities			
Surplus for the year		47,274	197,811
Adjustments for:			
Depreciation of property, plant and equipment	9	3,915	5,268
Amortisation of intangible assets	10	2,598	2,806
Dividend received		(105)	(106)
Share of equity accounted profit	23	-	(1,562)
Impairment of equity accounted investees	23	8,668	-
Share of net assets of joint venture	23	1,321	(2,522)
Change in fair value of investment property	8	(34,831)	(10,311)
Unrealised gain on other investments		(156)	(1,124)
Loss on sale of property, plant and equipment		176	148
Bequest in kind		(4,664)	-
Bequest receivable		47	49
Capital grant	5	(220)	-
Grant received under Camperdown Common Ground		-	(33,000)
NBESP stock transfer		-	(151,400)
Non-cash other expenses		(886)	428
Cash from operations before changes in working capital and provisions		23,137	6,485
Change in trade and other receivables	13	4,036	7,118
Change in prepayments		765	1,044
Change in trade and other payables		(4,740)	(3,712)
Change in provisions		(2,832)	11,346
Change in employee benefits		(949)	(4,216)
Change in deferred income		(4,596)	(38)
Deconsolidation of Many Rivers Microfinance		-	1,171
Cash generated from operations		**14,821**	**19,198**

19. Finance income and finance costs

In thousands of AUD	**2016**	**2015**
Recognised in profit or loss:		
Interest income	1,336	1,259
Dividend income	105	106
Fair value through profit or loss	66	1,124
Finance income	1,507	2,489
Interest expense	1,267	1,392
Finance expense	1,267	1,392
Net finance income recognised in surplus	**240**	**1,097**
The above finance income and costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	1,336	1,259
Total interest expense on financial liabilities	1,267	1,392

Accounting Policy

Finance income and expense

The Group's finance income and finance costs include:

- interest income;
- interest expenses;
- dividend income; and
- changes in the fair value of financial assets at fair value through profit or loss.

Interest income or expenses are recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

20. Deferred income

Deferred income for the Group of $17.9 million; (2015: $22.1 million) classified as current consists of government grants received in advance for services to be rendered by the Group.

The Group has been awarded numerous government grants. Deferred income is amortised over the period to which the advance relates.

20. Deferred income (continued)

Accounting Policy

Government grants

Unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss as other income on a systematic basis over the useful life of the asset.

21. Financial risk management

21.1 Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk

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

21.2 Risk management framework

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group manages its financial, credit and market risk using various financial instruments, governed by a set of policies approved by the Board. Risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, through its 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 Group uses different methods to assess and manage different types of risk to which it is exposed. These methods include correlations between risk types, sensitivity analysis in the case of interest rate, foreign exchange, other price risks, and ageing analysis.

21. Financial risk management (continued)

21.3 Credit risk

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

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

i. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base primarily consists of individual clients receiving services, residents occupying accommodation, the Federal Government, state governments and financial institutions.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectable. The Group does not require any collateral in respect of trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	**Note**	**2016**	**2015**
Trade and other receivables	13	19,290	19,789
Investments	14	27,121	17,012
		46,411	**36,801**

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

In thousands of AUD	**2016**	**2015**
Governments	7,784	11,326
Early learning customers	719	497
Other customers	7,356	4,600
Other parties	3,431	3,366
	19,290	**19,789**

21. Financial risk management (continued)

21.3 Credit risk (continued)

i. Trade and other receivables (continued)

Impairment losses

The ageing of the Group's current trade receivables at the reporting date is disclosed in the table below. Impairment loss recorded against Group's current trade receivable in this financial year was nil (2015: Nil).

In thousands of AUD	Gross 2015	Gross 2015
Not past due	11,392	9,992
Past due 0-30 days	1,067	1,284
Past due 31-120 days	348	1,983
	12,807	**13,259**

Based on historic default rates and analysis over external sundry debtors as at 30 June 2016, the Group believes that no impairment allowance is necessary in respect of trade receivables, given not past due or past due 0-30 days balances represent over 97 per cent of the total balance and the remaining balance relates to customers that have a good credit history with the Group.

The credit quality of trade and other receivables is assessed based on a credit policy established by management. The Group has monitored customer credit risk, by grouping trade and other receivables based on their characteristics.

All trade and other receivables that are considered higher risk have been provided for and hence not reported in the table below. Based on the Group's monitoring of customer credit risk, the Group believes that, no impairment allowance is necessary in respect of trade receivables not past due.

An analysis of the credit quality of trade and other receivables not impaired is as follows:

In thousands of AUD	Gross 2016	Gross 2015
Receivable from State and Federal governments (low risk)	4,733	11,326
Receivable from related parties (low risk)	6,483	3,366
Other customers:		
- Four or more year trading history with the Group	2,470	2,837
- Less than four years of trading history with the Group	5,604	2,260
	19,290	**19,789**

21. Financial risk management (continued)

21.3 Credit risk (continued)

ii. Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties which have very high credit ratings. Management actively monitors credit ratings and given that the Group have only invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

iii. Guarantees

The Group's policy is to provide financial guarantees only to wholly owned controlled entities.

21.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always 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 Group's reputation.

Typically, the Group ensures that it has sufficient cash or cash equivalents on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains $52.0 million (inclusive of non-recourse bank facilities in Mission Australia Housing and Mission Australia Housing (Victoria)) combined bank facility that is secured by registered mortgages over certain freehold properties of the company. Interest would be payable on a daily basis at an average rate of 3.91 per cent.

The Group holds investments, many of which are liquid and can be called upon.

Exposure to liquidity risk

The following table indicates:

- The contractual maturities of financial liabilities, including estimated interest payments. Contractual amounts are expected payments that have not been discounted.
- The periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments.
- The periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the hedging instruments.

21. Financial risk management (continued)

21.4 Liquidity risk (continued)

Exposure to liquidity risk

2016 *In thousands of AUD*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Non-derivative financial liabilities *					
Trade and other payables	30,728	30,728	30,261	-	467
Loans and borrowings	21,050	23,905	357	357	23,191
	51,778	**54,633**	**30,618**	**357**	**23,658**
Derivative financial liabilities					
Interest rate swap used for hedging	**2,157**	**2,157**	**-**	**-**	**2,157**

2015 *In thousands of AUD*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Non-derivative financial liabilities *					
Trade and other payables	38,300	38,300	37,715	-	585
Loans and borrowings	17,224	20,901	1,282	446	19,173
	55,524	**59,201**	**38,997**	**446**	**19,758**
Derivative financial liabilities					
Interest rate swap used for hedging	**861**	**861**	**119**	**-**	**742**

* Deferred income and some accruals (i.e. straight-lining of interest expense) are not financial liabilities and therefore are excluded in the analysis.

The gross inflows (outflows) disclosed in the previous table represent the contractual undiscounted cash flow relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amount for derivatives that have simultaneous gross cash settlement.

As disclosed in Note 15, the Group has one secured bank loan which contains debt covenants. The breach of any covenant may require the Group to repay the loan earlier than indicated in the above table.

21.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Board Audit and Risk Committee.

21. Financial risk management (continued)

21.5 Market risk (continued)

i. Currency risk

The Group is not exposed to significant currency risk.

ii. Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest-bearing financial assets and liabilities that the Group utilises. Interest-bearing financial assets are generally short-term liquid assets. The Group's interest rate liability risk arises primarily from external borrowing issued at variable interest rates which exposes the Group to cash flow interest rate risk.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

2016			**Interest rate range**	
In thousands of AUD	**Carrying amount**	**Average**	**From**	**To**
	$	**%**	**%**	**%**
Fixed rate instruments				
Financial liabilities				
- Bank loans	**(20,085)**	3.6	3.0	3.9
Variable rate instruments				
Financial liabilities				
- Bank loans	**(965)**	3.6	3.2	3.7

2015			**Interest rate range**	
In thousands of AUD	**Carrying amount**	**Average**	**From**	**To**
	$	**%**	**%**	**%**
Fixed rate instruments				
Financial liabilities				
- Bank loans	**(15,535)**	5.9	5.9	5.9
- Other loan	**(724)**	8.4	8.4	8.4
Variable rate instruments				
Financial liabilities				
- Bank loans	**(965)**	3.9	3.6	4.2

21. Financial risk management (continued)

21.5 Market risk (continued)

ii. Interest rate risk (continued)

Exposure to interest rate risk (continued)

Sensitivity analysis

Fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Variable rate instruments

A change of 1 per cent in average bank loan interest rate at the reporting date would have increased / (decreased) equity and profit or loss by $9,650 (2015: $9,650).

iii. Other market price risk

Equity price risk arises from financial assets designated at fair value through profit or loss held by the Group in the form of investments in listed equities. The portfolio of investments is managed by external portfolio managers, who buy and sell equities based on their analysis of returns. The asset position and returns are reported to the Directors on a regular basis at the Board Audit and Risk Committee meetings.

The other investments in wholesale funds of $17.1 million (2015: $17.0 million) are exposed to equity price risk. A 1 per cent change in equity prices at reporting date would have increased / decreased surplus and deficit and equity by approximately $0.17 million (2015: $0.17 million).

Exposure to foreign currency risks is not considered to be a significant risk given the proportion of the investments held in international funds. The most significant risk is equity price risk.

22. Determination of fair values

A number of the Group'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.

22.1 Land and buildings

Land and buildings held at fair value are based on a determination of their highest and best use and follows the fair market hierarchy disclosed in Note 22.7. The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared on a depreciated replacement cost basis that takes into account the estimated replacement costs and the remaining useful life of a property.

22. Determination of fair values (continued)

22.1 Land and buildings (continued)

The fair value of approximately one-third of the Group's land and building portfolio at 30 June 2016 has been determined using an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of the remaining two-thirds of the Group's land and building portfolio at 30 June 2016 has been determined by the Directors and management based on valuations and assessment of market conditions.

22.2 Investment property

Investment properties are held at fair value based on a determination of their highest and best use and follows the fair market hierarchy disclosed in Note 22.7. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values approximately one-third of Group’s investment property portfolio annually. Properties are selected for independent valuation on a rotational basis to ensure each property is valued at least once every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations consider, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

22.3 Investments in equity and debt securities

The value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

22.4 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 reporting date. This fair value is determined for disclosure purposes.

22.5 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. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

22. Determination of fair values (continued)

22.6 Fair values versus carrying amounts

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

In thousands of AUD	Note	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Cash and cash equivalents	18	38,205	38,205	39,163	39,163
Trade and other receivables	13	19,290	19,290	19,789	19,789
Investments	14	27,121	27,121	17,012	17,012
Trade and other payables		(37,354)	(37,354)	(45,555)	(45,555)
Loans and borrowings	15	(21,050)	(21,050)	(16,500)	(16,500)
Other loan	15	-	-	(724)	(724)
Interest rate swap used for hedging		(2,157)	(2,157)	(861)	(861)
		24,055	**24,055**	**12,324**	**12,324**

The carrying amounts of all assets and liabilities above are carried at amortised cost except for interest rate swaps and Investment Securities that are recognised as financial assets designated at fair value through profit or loss.

22.7 Fair value hierarchy

The table below 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).
- Level 3 - input for the asset or liability that is not based on observable market data (unobservable inputs).

In thousands of AUD	Level 1	Level 2	Level 3	Total
30-June-2016				
Investments	27,121	-	-	**27,121**
Interest rate swap used for hedging	-	(2,157)	-	**(2,157)**
	27,121	**(2,157)**	**-**	**24,964**

In thousands of AUD	Level 1	Level 2	Level 3	Total
30-June-2015				
Investments	17,012	-	-	**17,012**
Interest rate swap used for hedging	-	(861)	-	**(861)**
	17,012	**(861)**	**-**	**16,151**

Interest rate swaps used for hedging are valued based on mark to market valuation provided by the financier. The valuation is further assessed for credit risk of both parties.

22. Determination of fair values (continued)

Accounting Policy

Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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 accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2016 are included in the following notes:

- Note 21 – *Financial Risk Management*
- Note 23 – *Equity Accounted Investments*
- Note 28 – *Contingencies*

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then Management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 – *Investment property*
- Note 9 – Property, plant and equipment
- Note 21 – *Financial risk management*

Our group structure

This section explains significant aspects of the Mission Australia group structure including joint arrangements that the Group has an interest in. It also provides information on Mission Australia's related parties.

23. Equity accounted investments

Working Links (Employment) Limited

In thousands of AUD	**2016**	**2015**
Opening balance	12,252	10,690
Share of profit for the year	-	1,562
Impairment of equity accounted investment	(8,668)	-
Proceeds receivable on disposal of Working Links (Employment) Limited	(3,584)	-
Investment in Working Links (Employment) Limited	**-**	**12,252**

Mission Providence Pty Ltd

In thousands of AUD	**2016**	**2015**
Share of equity	2,522	4,496
Share of loss for the year	(1,321)	(1,974)
Investment in Mission Providence Pty Ltd	**1,201**	**2,522**
Total equity accounted investment in associates and joint venture	**1,201**	**14,774**

The Group's share of loss in its equity accounted investee Working Links (Employment) Ltd for the year was Nil (2015: $1.5 million) and impairment expenses of $8.7m was recognised during 2016. On 28 June 2016, Mission Australia disposed of its 33.3% interest in Working Links (Employment) Limited.

In 2016, the Group has recognised share of equity of Joint Venture $(1.3) million (2015: $2.5 million). Mission Providence Pty Ltd is the legal vehicle for the joint venture.

23. Equity accounted investments (continued)

The summary financial information for the investment in associates, not adjusted for the percentage of ownership held by the Group, is as follows:

In thousands of AUD	Ownership	Assets	Liabilities	Revenues	Profit (loss)
as at June 2016					
Working Links (Employment) Limited	-	-	-	-	-
Mission Providence Pty Ltd	25.0%	19,178	14,374	23,254	(5,855)
as at June 2015					
Working Links (Employment) Limited	33.3%	88,897	56,490	208,573	4,686
Mission Providence Pty Ltd	25.0%	10,992	904	363	(7,895)

Significant influence

Equity accounted associates are those entities in which the Group has economic and equity interest of more than 20 per cent giving rise to significant influence.

The Group owned 33.3 per cent of ordinary shares in Working Links (Employment) Limited, each with one voting right. The Group was entitled to appoint two Directors on the Board of Working Links (Employment) Limited. This allowed the Group to exercise significant influence over Working Links (Employment) Limited.

Mission Australia has 40% voting rights and 25% economic interest in Mission Providence Pty Ltd. The provisions of the Joint Venture agreement (JVA) ensure that Mission Australia has joint control over Mission Providence, its operations and the future strategic direction it takes.

Such an arrangement falls within the scope of AASB 11 *Joint Arrangement* as it has the following characteristics:

- The parties are bound by a contractual arrangement;
- The contractual arrangement gives two or more of those parties joint control of the arrangement.

Accounting treatment of share of profit / loss for the year

The Group's share of profit or loss from Working Links (Employment) Limited (Working Links) and Mission Providence Pty Ltd are recognised as income or expense in *Consolidated Statement of Profit or Loss and Other Comprehensive Income* and as an asset in the *Consolidated Statement of Financial Position*. The asset recognised in the *Consolidated Statement of Financial Position* represents the Group's interest in Working Links which is realised when dividends are received. Dividends reduces the Group's interest (in the associate) recorded in the *Consolidated Statement of Financial Position*. Income is recognised as Unrestricted Accumulated Surplus in the *Consolidated Statement of Financial Position*.

23. Equity accounted investments (continued)

Accounting Policy

Basis of consolidation

Investment in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost which includes transaction costs.

Subsequently to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Impairment

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

24. Group entities

Controlled entities, Mission Australia Early Learning, Mission Australia Housing, Mission Australia Housing (Victoria), Sir David Martin Foundation, Mission Australia Services (Dormant), Mission Australia Foundation (Dormant), Mission Australia Capital Fund Pty Ltd (Dormant) and Mission Australia Future Foundation Unit Trust, all are incorporated in Australia and 100% owned by Mission Australia.

Mission Australia Housing and Mission Australia Housing (Victoria) have restrictions on the distribution of dividends and capital to the Company.

Accounting Policy

Basis of consolidation

Controlled entities

The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Group.

24. Group entities (continued)

Accounting Policy (continued)

Basis of consolidation (continued)

Controlled entities (continued)

Mission Australia Housing and Mission Australia Housing (Victoria) have been registered as Housing Associations, which are subject to various restrictions in New South Wales, Tasmania and Victoria, in particular around their ability to make distributions of profit or capital to the Company. AASB 10 Consolidated Financial Statements require that these entities be consolidated, as control, rather than appropriation of capital, is the overriding determinant of whether an entity is consolidated.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

25. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Mission Australia.

In thousands of AUD	**2016**	**2015**
Result of parent entity		
Profit for the period	12,631	3,864
Other comprehensive income	4,037	(92)
Total compehensive income for the period	**16,668**	**3,772**
Financial position of parent entity at year end		
Current assets	58,820	58,604
Non-current assets	102,490	103,308
Total assets	**161,310**	**161,912**
Current liabilities	51,599	66,961
Non-current liabilities	8,637	10,545
Total liabilities	**60,236**	**77,506**
Net assets	**101,074**	**84,406**
Total equity of the parent entity comprising of:		
Revaluation reserve	23,465	19,428
Retained earnings	77,609	64,978
Total equity	**101,074**	**84,406**

Our people

This section provides details of the Group's employee costs, including Key Management Personnel.

26. Personnel expenses

In thousands of AUD	2016	2015
Wages and salaries	145,304	185,710
Other associated personnel expenses	10,789	13,182
Contributions to defined contribution plans	13,742	17,471
	169,835	**216,363**

Accounting Policy

Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits 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. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Defined Contribution plan

Obligations for contribution to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in future payments is available.

27. Related parties

27.1 Key Management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 26) is as follows:

In AUD	2016	2015
Short-term employee benefits	1,914,858	1,862,178
Other long-term benefits	14,144	15,640
Post-employment benefits	178,523	180,039
Termination benefits	-	146,264
	2,107,525	2,204,121

The compensation disclosed above represents an allocation of the key management personnel's compensation from the Group in relation to their services rendered to the Company.

27. Related parties (continued)

27.2 Individual Directors' compensation disclosures

Mr E Crouch works as a consultant in Allens, which provides Mission Australia with legal advisory services on normal commercial terms. He is also a Director of Westpac Banking Corporation, which provides banking services to the Group on normal commercial terms.

Mr N S Barnett is a Director of Insync Surveys, which provides Mission Australia with employee surveys on normal commercial terms. He is also a Chairman of Ansvar Insurance that provides insurance services to Mission Australia on normal commercial terms.

The Directors provide their services to Mission Australia on an honorary basis and receive no direct remuneration in respect of the services provided and no indirect remuneration.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Other disclosures

This section provides details of other disclosures relating to the Group to comply with accounting standards and other pronouncements.

28. Contingencies

The Directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or that the amount is not capable of reliable measurement.

29. Subsequent events

There have been no events subsequent to the balance date which would have a material effect on the Group's financial statements at 30 June 2016.

30. Members' guarantee

Mission Australia is a company limited by guarantee. In the event of the Company being wound up, each member is liable to contribute an amount not exceeding 10 cents.

31. Auditors' remuneration

In AUD	**2016**	**2015**
Audit and review services		
Auditors of the Company		
Audit and review of financial statements	**226,300**	**237,200**
Other Services		
Auditors of the Company	**35,494**	**77,734**

KPMG also provided audit services for approximately 200 (2015: 250) projects that require an audited acquittal statement by the funding bodies. The cost of the acquittal audit services provided by KPMG in 2016 was $194,000 (2015: $235,000). These costs were acquitted to the individual projects.

32. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

32.1 Income tax

The Mission Australia entities (with the exception of Mission Australia Capital Fund Pty Limited) are appropriately endorsed as required by the Australian Taxation Office from 1 July 2005, or as otherwise incorporated, for income tax exemption. Donations of two dollars or more given to the following entities attract income tax deductibility for the donors:

- Mission Australia
- The Trustee for Sir David Martin Foundation
- The Trustee for Mission Australia Foundation
- Mission Australia Housing
- Mission Australia Housing (Victoria)
- Mission Australia Early Learning

32.2 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans, receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group 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 of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and liabilities are offset and the net amount presented in the *Statement of Financial Position* when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised 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 rate method.

32. Significant accounting policies (continued)

32.3 New Standards and interpretations not yet adopted

At the date of authorisation of the financial report, the following relevant Standards and Interpretations were issued but not yet effective:

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards-Mandatory Effective Date of AASB 9 and Transition Disclosures,* AASB 2013-9 *Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments,* AASB 2014-1 *Amendments to Australian Standards (Part E : Financial Instruments)*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014),* and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010)*
- AASB 15 *Revenue from Contracts with Customers,* and AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB15 (effective 1 January 2018)*
- *AASB 16 Leases (effective 1 January 2019)*
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit public sector Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit-Public Sector Entities.*

The Group is assessing the potential impact on its financial statements the impact of these new and revised Standards and Interpretations.

32.4 Changes in accounting policies

In the current year, the Group has adopted all of the following and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period:

- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisition of Interest in Joint Operations*
- AASB 2015-3 Amendments to Australian Accounting standards arising from the withdrawal of AASB 1031 Materiality (effective 1 July 2015)

The Group is assessing the potential impact on its financial statements the impact of these new and revised Standards and Interpretations.

Directors' Declaration

In the opinion of the Directors of Mission Australia ('the Company'):

a) the consolidated financial statements and notes set out on pages 12 to 53 are in accordance with the with the *Australian Charities and Not-for-profits Commission Act 2012,* including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2016 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*.

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

c) The directors draw attention to Note 2 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney, 18 October 2016.

Ewen G W Crouch AM

President and Chairman

Jennifer M Lambert

Chair, Board Audit and Risk Committee

Chairman's Declaration

Declaration to be furnished under the *Charitable Fundraising Act 1991 NSW*. This declaration is made in accordance with Authority Conditions 7(4) and 7(5) issued by the Minister under Section 19 of the *Charitable Fundraising Act 1991 NSW.*

I**,** Ewen G W Crouch AM**,** President and Chairman of the Board of Mission Australia, declare that in my opinion:

a) the consolidated financial statements give a true and fair view of all income and expenditure of Group with respect to fundraising appeals; and

b) the Consolidated *Statement of Financial Position* gives a true and fair view of the state of affairs with respect to fundraising appeals; and

c) the provisions of the *Charitable Fundraising Act 1991 NSW*, the Regulations under the Act and the conditions attached to the fundraising authority have been complied with by Group; and

d) the internal controls exercised by the Group are appropriate and effective in accounting for all income received and applied by the Group from any of its fundraising appeals.

Dated at Sydney, 18 October 2016.

Ewen G W Crouch AM

President and Chairman

KPMG

Independent audit report to the members of Mission Australia

Report on the financial report

We have audited the accompanying financial report of Mission Australia (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the entities it controlled at the year's end or from time to time during the financial year.

This audit report has also been prepared for the members of the Group in pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) and Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations and with Section 15(1) and 15(2) of the WA Charitable Collections Act 1946 and Regulations 1947 (collectively the Acts and Regulations).

Directors' responsibility for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the ACNC, and the Acts and Regulations and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the ACNC, the Acts and Regulations and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine necessary 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view 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 Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards and the ACNC, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of its performance.

In addition, our audit report has also been prepared for the members of the Group to meet the requirements of the Acts and Regulations. Accordingly, we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the ACNC. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012.*

Auditor's opinion

In our opinion the financial report of Mission Australia and its controlled entities is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

(a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Reporting under Charitable Fundraising (NSW) Act 1991

Audit opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

(a) the financial report gives a true and fair view of Mission Australia and its controlled entities' financial result of fundraising appeal activities for the financial year ended 30 June 2016;

(b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2015 to 30 June 2016, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

(c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2015 to 30 June 2016 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and

(d) there are reasonable grounds to believe that Mission Australia and its controlled entities will be able to pay its debts as and when they fall due.

Reporting under Charitable Collections Act (WA) 1946

Audit opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In accordance with the requirements of Section 15(2) of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* (the Act and Regulations), we have reviewed the Act and Regulations for the purpose of reporting whether, as a result of completing our audit procedures on the financial report of the Group for the year ended 30 June 2016, we have not become aware of any condition or event that constitute a material default by the Group in the performance of, or compliance with, any requirements of the Act or Regulations.

In our opinion, the Company, for the year ended 30 June 2016, has complied in all material respects with the requirements of the *Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947.*

KPMG

KPMG

Anthony Travers
Partner

Sydney

18 October 2016