

MISSION AUSTRALIA
(ABN 15 000 002 522)
AND
ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED

30 June 2014

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DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Mission Australia (the Company) and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2014 and the auditor's report thereon.

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DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

1. Directors

The Directors of Mission Australia (the Company) 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 Independent Non-Executive Director	<p>Appointed President and Chairman of Mission Australia in November 2009 and a Director since 1995. Ewen is a Director of Westpac Banking Corporation, BlueScope Steel Limited and Sydney Symphony Orchestra. Ewen was a partner at Allens from 1988-2013 where he held the roles of Chairman, Co-Head Mergers & Acquisitions, Executive Partner Asia Offices and Deputy Managing Partner during his partnership career. He is now a consultant at Allens. He is a member of the AICD's Law Committee, the Corporations Committee of the Law Council of Australia and the Takeovers Panel. In the Australia Day 2013 Honours List, Ewen was the recipient of a Member of the Order of Australia.</p>
Mr Martin G Watkins, BEc (Hons), CA, MIPC Vice President Independent Non-Executive Director	<p>Appointed Vice President in 2001 and a Director since 1996. Martin is a Chartered Accountant and Director of Richfield Consulting and Carbon Careers executive recruitment companies. He is also Chairman of Christian Community Ministries (CCM) which operates a number of schools on the eastern seaboard. Martin is a member of the MA Board Nomination, Remuneration and Succession Committee and of the Board Audit and Risk Committee.</p>
The Hon. Dean Brown AO, M.Rur.Sc, Grad.Dipl. Bus Admin, FAICD Independent Non-Executive Director	<p>Appointed as a Director in November 2012, Dean is a former Premier of South Australia, with more than 27 years' experience in Parliament. His ministerial responsibilities included Human Services (Health), Disability Services, Ageing, Aboriginal Affairs and Multicultural Affairs. Dean is Chairman of Hillgrove Resources Ltd and the Playford Memorial Trust, and a Director of Scantech Ltd and Foodbank SA. Dean is based in Adelaide. Dean is a member of the Lead Experts and Service Excellence Committee.</p>
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD Independent Non-Executive Director	<p>Appointed as a Director in November 2011, Evelyn is chair of Mission Australia Housing and Mission Australia Housing (Victoria). She is also an independent Director of MLC Superannuation Trustees 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.</p>
Mr Grant A Dempsey, BComm Independent Non-Executive Director	<p>Appointed as a Director in February 2010, Grant is Managing Director and Head of Investment Banking at JP Morgan and is based in Melbourne. Grant is Chairman of the MA Board Nomination, Remuneration and Succession Committee.</p>
Ms Jennifer Lambert, BBus, MEc, CA, GAICD Independent Non-Executive Director	<p>Appointed as a Director in 2005, Jennifer is Group Chief Financial Officer of Valad Property Group, and a Non-Executive Director of Mosman Church of England Preparatory School. Jennifer is Chairman of the Board Audit and Risk Committee.</p>
Dr Karin N Sowada, PhD, BA (Hons) Independent Non-Executive Director	<p>Appointed as a Director in 2008, Karin is Chief Executive Officer of Anglican Deaconess Ministries Limited. Karin is a member of the Lead Experts and Service Excellence Committee.</p>
Mr Nicholas S Barnett, BEc, CA, FAICD Independent Non-Executive Director	<p>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. He is based in Melbourne. Nicholas is Chairman of the Lead Experts and Service Excellence Committee.</p>
Mr Stephen E Anson Independent Non-Executive Director	<p>Appointed as a Director in 2007, Stephen has a background in leadership within the employment services and healthcare sectors. He is the founder and CEO of Vortala, a digital media company serving the professional practice community worldwide. Stephen is based in Perth. Stephen is a member of the Board Audit and Risk Committee. He has taken six months of leave of absence from 1 August 2014.</p>

DIRECTORS' REPORT

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2. Company Secretary

Mr Timothy Morris-Smith, ACA was appointed to the position of Company Secretary in February 2009. He is the Chief Financial Officer 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		MA Board Nomination, Remuneration and Succession Committee Meetings		Lead Experts and Service Excellence Committee Meetings	
	A	B	A	B	A	B	A	B
Mr Ewen G W Crouch AM	6 [#]	8	3 ^{#*}	6	5 [#]	6	4	4
Mr Martin G Watkins	8	8	6	6	6	6	-	-
The Hon. Dean Brown AO	8	8	-	-	-	-	4	4
Ms Evelyn Horton	8	8	6	6	-	-	-	-
Mr Grant A Dempsey	4	8	-	-	6	6	-	-
Ms Jennifer Lambert	7	8	2 ^{**}	2	5 ^{**}	5 ^{**}	-	-
Dr Karin N Sowada	6	8	-	-	-	-	4	4
Mr Nicholas S Barnett	8	8	4 ^{**}	4	-	-	1 ^{**}	1
Mr Stephen E Anson	8	8	4	6	-	-	-	-

A – Number of meetings attended

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

* – Attends by invitation ** – Change in committee membership during the year # – Leave of absence granted due to illness

4. Corporate governance

Mission Australia is a not-for-profit non-listed company limited by guarantee with no tradeable securities. The Group is committed to high standards of corporate governance and although it has no legal obligation to do so, applies, wherever practicable and relevant, the Corporate Governance Principles and Recommendations established by the Australian Stock Exchange (ASX) Corporate Governance Council. Whilst these principles were developed for listed companies, Mission Australia seeks to apply them where it is practicable and relevant to do so.

4.1 Foundations for management and oversight

The Board is the guardian of the Founding Purpose for which Mission Australia was established and is accountable to members for pursuit of that purpose and the performance of the Mission Australia Group.

The role of the Board is summarised in the Board Corporate Governance Charter which can be viewed at missionaustralia.com.au.

4. Corporate governance (continued)

4.1 Foundations for management and oversight (continued)

It includes:

- Providing strategic guidance for Mission Australia and its controlled entities and effective oversight of management;
- Establishing the functions reserved to the Board and those delegated to the Chief Executive Officer;
- Appointing the Chief Executive Officer, approving succession plans, monitoring and evaluating the performance of the Chief Executive Officer and determining the goals and objectives for the setting of senior management remuneration policies and practices;
- Monitoring financial results and the effectiveness of the risk-management system and overseeing policies governing the Group (Mission Australia and its controlled entities) operations including those for social, environmental sustainability as well as ethics and transparency; and
- Evaluating the Board's effectiveness and aspiring to excellence in corporate governance.

The Board oversees and monitors management's performance by:

- Selecting, appointing, guiding and monitoring the performance of the Chief Executive Officer;
- Approving Mission Australia's annual budget and financial statements;
- Formulating Mission Australia's strategic plan together with the Chief Executive Officer and senior management;
- Meeting at least six times during the year to:
 - Monitor progress in achieving the strategic plan and performance against operating and capital budgets; and
 - Receive detailed financial and other reports and input from management to verify Mission Australia's financial performance, viability, solvency and long and short-term sustainability.
- Assigning responsibility to Board sub-committees to oversee particular aspects of Mission Australia's operations and administration in areas such as finance, audit, risk, evaluation and service review, Board nominations and executive remuneration. Each sub-committee operates under approved charters that are regularly reviewed and updated. The charters can be viewed at missionaustralia.com.au;
- Monitoring internal control, health and safety, risk management, compliance and quality control frameworks and management information systems as well as reviewing delegations, policies and procedures;
- Reporting to stakeholders on a regular basis, including providing financial reports;
- Overseeing Mission Australia compliance with relevant legislation and regulations; and
- Advocating for Mission Australia whenever and wherever appropriate.

The Board delegates responsibility for Mission Australia's day-to-day operations and administration to the Chief Executive Officer and executive management. A schedule of delegated authority sets out staff decision-making responsibilities and financial contractual thresholds for appropriate levels throughout Mission Australia. No delegate is permitted to authorise an expenditure that affects them personally.

An induction process for senior executives provides an understanding of the financial position, strategies, operations, health and safety and risk-management practices, as well as the respective rights, duties, responsibilities and roles of the Board and senior executives. Annual performance evaluation of senior executives has taken place during the year. The Board evaluates its own performance from time to time in accordance with process detailed in the Board Corporate Governance Charter.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

4. Corporate governance (continued)

4.2 Board structure

All Board members, including the Chair, are Independent Non-Executive Directors elected by Mission Australia's members. Mission Australia's Constitution requires no less than 6 and no more than 12 Directors. There were 9 Directors at 30 June 2014. The Board Corporate Governance Charter requires the Board to assess whether each Director is sufficiently independent. Each Director supplies the Chairman with all the necessary, requested information that may be relevant to this assessment.

The Board Chairman's role is articulated in the Board Corporate Governance Charter. The role includes providing leadership, facilitating effective contribution of all Directors and promoting constructive and respectful relationships between Directors and between the Board and management. The roles of the Chairman and Chief Executive Officer are not exercised by the same individual.

Three Directors must retire at each Annual General Meeting with those longest in office selected by rotation. They are eligible for re-election. Directors must retire after the age of 72, unless otherwise agreed. No employee of Mission Australia, including the Chief Executive Officer, can be the Chair or a Director on the Board of Mission Australia, although they may be Directors of subsidiaries of Mission Australia.

MA Board Nomination, Remuneration and Succession Committee reviews the composition of the Board with the objectives that the Board is composed of Directors who have the skills and experience to fulfil their obligations with diligence and judgement. This Committee also make recommendations to the Board about appropriate executive succession and remuneration policies and practices to promote Mission Australia's purpose and values and encourage appropriate risk management. This Committee consults informally during the year and meets at least twice on a formal basis. Further details about remunerating fairly and responsibly are set out in section 4.9 of the Directors' Report.

Members of the Board receive a letter of appointment detailing the terms and conditions of their appointment and complete an induction program when first appointed. Board and Committee members' knowledge of Mission Australia is maintained by regular visits to operations, management presentations and through access to continuing education programs.

MA Board Nomination, Remuneration and Succession Committee sets performance criteria for the Chief Executive Officer and annually assesses the outcomes.

Brief biographic details of Directors and Executives are listed at missionaustralia.com.au. The Board Governance Charter enables the Board of Directors to seek independent professional advice at the expense of Mission Australia with the agreement of the Chairman.

4.3 Ethical and responsible decision making

A Code of Conduct applies to the Board, management and staff of Mission Australia. It specifies behavioural standards necessary to maintain confidence in Mission Australia's integrity. This code can be accessed at missionaustralia.com.au.

The Code of Conduct outlines expectations for personal and professional behaviour, including how to manage receipt of gifts and benefits and how to resolve a conflict of interests. Conflicts of interests and conduct are specifically mentioned in the Board Corporate Governance Charter. A separate, more detailed Conflict of Interests Policy also exists requiring, anyone with a conflict of interest to declare it and step outside the decision-making process.

4. Corporate governance (continued)

4.3 Ethical and responsible decision making (continued)

Directors are required to apply their independent judgement to Board decisions, to question and seek information or raise any issue of concern to them in order to fully canvas all aspects of major issues confronting the Mission Australia Group. Directors are required to keep Board discussions confidential and to support the letter and spirit of Board decisions outside the boardroom.

A Statement of Enterprise Ethics sets out ethical expectations for people who work for Mission Australia and for those working with the entity. Support and protection for speaking up about wrongdoing is available to staff, volunteers, contractors, suppliers and clients. An Integrity Hotline is available to receive reports of possible wrongdoing, details of this are displayed at missionaustralia.com.au. A Fraud Control and Corruption Prevention Policy addresses fraud and dishonesty prevention systems and procedures. A Fraud Control Strategy identifies systems and processes that contribute to prevention, detection and responses to fraud.

Commitment to protection is demonstrated with Whistle-blower Governance officers comprising two senior executives as well as the Chair and independent ex officio member of the Board Audit and Risk Committee. These roles require the Officer to be satisfied about the fairness of any inquiry as well as the outcome. Protection is provided with specific appointment of protection officers who are independent of the area subject to any inquiry. Internal investigative capacity and legal review exists independently of operational, administrative, financial and technological activities.

Board members, senior executives and staff are expected to comply with relevant laws and codes of conduct of relevant professional bodies, and to act with integrity, compassion and respect at all times when dealing with colleagues, clients and others involved in our mission. Board members, executives and staff are made aware of Mission Australia's Ethical Standards and Code of Conduct during induction and are regularly reminded of the necessity to preserve these values and expectations.

4.4 Director and executive education

Mission Australia Group has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectation of the Group concerning Directors' interactions with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet the management to gain a better understanding of business operation. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a formal process to educate new senior executive upon taking such position. The induction program includes reviewing the Group's structure, strategy, operation, financial position and risk-management policies. It also familiarises the individual with respective rights, duties, responsibilities and roles of the individual and the Board.

4.5 Safeguarding integrity in financial reporting

A Board Audit and Risk Committee is established with four Non-Executive Directors that have accounting or related financial expertise and one ex officio member who is independent of the Board, executive, management and staff of Mission Australia. The other Board Directors, Chief Executive, Chief Financial Officer and head of Internal Audit and Risk Management have a standing invitation to attend meetings but are not members of the Committee and cannot chair the Committee or vote. The composition of the committee changed during the year. Committee members serving during the year included:

- Ms Jennifer Lambert (Chair) (appointed in March 2014)
- Mr Ewen G W Crouch AM (attends by invitation)
- Ms Evelyn Horton
- Mr Martin G Watkins (Chair until March 2014)
- Mr Stephen E Anson

4. Corporate governance (continued)

4.5 Safeguarding integrity in financial reporting (continued)

- Mr Nicholas S Barnett (until March 2014)
- Mr Garry Wayling (ex-officio)

The Committee has a formal Charter with responsibility to assist the Board to fulfil their corporate governance responsibilities for the Group and the Company, particularly in relation to oversight of the:

- maintenance of an effective framework of risk management including compliance and internal controls;
- reliability and integrity of the financial statements and external financial communication;
- effectiveness of the external audit and internal audit functions; and
- adequacy of Mission Australia's insurance coverage.

The Committee includes an annual agenda item for the selection and appointment of the external auditor and considers the rotation of external audit engagement partners.

Mission Australia has a management system of progressive signed declarations attesting to the reliability and integrity of financial information. Operational risk and control attestations by Executives to the Chief Executive Officer are based on questionnaires cascaded through line management.

Under its Charter, the Internal Audit function reviews Mission Australia's systems, policies, processes, practices and procedures. The head of Internal Audit has a direct reporting line to the Board Audit and Risk Committee and meets privately with the Board Audit and Risk Committee at least once a year.

In 2013, the Board also established the Group Financing Committee as an ad hoc committee. The initial objective of the Group Financing Committee was to provide guidance and counsel to management in connection with the financing facilities of Mission Australia and its subsidiaries. Since inception, the Group Financing Committee has been involved in other ad hoc finance related transactions as required by the Board of Mission Australia. Committee members during the year were:

- Ms Evelyn Horton (Chair)
- Mr Grant A Dempsey
- Ms Jennifer Lambert

4.6 Engagement with stakeholders

Mission Australia has media policies, and vetting and authorisation processes designed to ensure effective communication with all stakeholders and members.

Mission Australia has many stakeholders, including our clients and their families, those we fund to provide services, our donors and benefactors, our staff and volunteers, the broader community, our suppliers and financiers and the government agencies that provide us with funds and regulate our operations. We adopt a consultative approach in dealing with our stakeholders. We are involved in not-for-profit forums, conduct research, receive feedback from forums and regular surveys, and ensure government at all levels is aware of our main concerns, achievements and remaining abreast of industry developments that affect us.

4.7 Respecting rights of members

Mission Australia does not have shareholders but does have members. A communication policy advocates providing timely information to members using electronic and other means. This includes providing the Annual Report to members prior to the Annual General Meeting. The external auditor attends the meeting and is available to answer members' questions about the conduct of the audit, the status of internal control and the preparation and content of the auditor's report.

4. Corporate governance (continued)

4.8 Recognising and managing risk

The Board has a number of responsibilities specifically relating to risk, including:

- monitoring the effectiveness of Mission Australia's risk management systems, including compliance with regulatory requirements;
- satisfying itself through appropriate reporting and oversight that appropriate internal and external control mechanisms are in place and are being implemented;
- approving Mission Australia's financial statements and monitoring financial performance against approved budget; and
- providing oversight and monitoring of occupational health and safety issues in the Mission Australia Group and considering appropriate WHS reports and information.

In fulfilling these responsibilities, the Board is assisted by the Board Audit and Risk Committee.

Mission Australia has identified its key risks. These include:

- securing ongoing funding for our work;
- complying with regulatory, funding and contractual obligations;
- minimising impact of damage to credibility and reputation;
- retaining high-quality skilled staff;
- ensuring client, staff and volunteer safety; and
- ensuring the group has the capacity to respond to social, economic and political change.

The recognition and management of risk is undertaken under an enterprise risk policy with architecture and with protocols that comply with the International Risk Management Standard ISO 31000:2009.

Risks are identified and owned by the managers of the business in which those risks reside. Those managers are responsible for ensuring their risks are appropriately managed, reported and escalated.

Project level risk registers capture operational, regulatory and contractual compliance risk, within the context of each project's objectives. Risk assessments at this level are required to be conducted annually at the time of business planning and budgeting to enable resource allocation to attend to higher risks wherever possible. Supervisors of project level managers hold monthly or quarterly meetings to monitor progress against plans and to raise risks and opportunities that may have financial or operational impact.

Legal, Finance, Work Health and Safety, Quality Assurance and Human Resources teams work in a co-ordinated enterprise framework approach to support effective risk management.

A Governance Risk and Compliance Committee reporting to the Executive Committee oversees integration of those activities across the organisation and forms work groups to attend to emerging risk and compliance issues.

Mission Australia has an independent internal audit function which provides assurance to senior management and the Board that controls are operating and effective. The head of Internal Audit reports administratively to the Chief Financial Officer of Mission Australia, and operationally to the Board Audit and Risk Committee.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

4. Corporate governance (continued)

4.8 Recognising and managing risk (continued)

Mission Australia is dedicated to social responsibility in the very nature of its activities and is conscious of its environmental impact. Environmental risks are included in project level risk assessments conducted during the year. Mission Australia is not subject to any significant environmental legislation.

4.9 Remunerating fairly and responsibly

Directors serve on a voluntary basis and do not receive remuneration, superannuation, retirement benefits or unvested entitlements under any equity-based remuneration. There are no Executive Directors on the Board of Mission Australia. Reimbursement is made to Directors for reasonable expenses directly related to Board activities such as travel, accommodation and meals. The Board has established a MA Board Nomination, Remuneration and Succession Committee that sets remuneration strategies and approves remuneration levels for the Chief Executive and senior executives. The Committee consults informally on a regular basis and meets at least twice during the financial year. The Committee members are all Independent Non-Executive Directors:

- Mr Grant A Dempsey (Chair)
- Mr Ewen G W Crouch AM
- Ms Jennifer Lambert (until March 2014)
- Mr Martin G Watkins

The Committee also reviews the Board structure on a regular basis. Refer section 4.2 of the Directors' Report for more details.

4.10 Diversity

As of 30 June 2014, women made up 78.9 per cent of our employees. The principles of equal opportunity for women, and other groups in our community, are well aligned with our organisational values.

Interview guides for potential new employees are designed to ensure all applicants are assessed on a level playing field, based on their competencies and not gender or background. During the year, women represented:

- 74 per cent of the workforce in the area of middle management;
- 58 per cent of senior management;
- 33 per cent of executive leaders; and
- 86 per cent of administrative and clerical staff.

A third of our Board members are female.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

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, Mission Australia Housing, Mission Australia Housing (Victoria), Mission Australia Early Learning, Many Rivers Microfinance Limited, Sir David Martin Foundation and Mission Australia Foundation.

6.2 Operating results

The Group reported an underlying surplus of \$7.4 million (2013: \$1.5 million deficit). Net surplus for the year was \$17.3 million (2013: \$8.1 million deficit).

6.3 Review of operations

<i>In thousands of AUD</i>	Note	2014	2013
Revenue		344,827	325,717
Expenditure		(337,446)	(327,170)
Underlying surplus / (deficit)		7,381	(1,453)
Share of profit / (loss) of equity accounted investees	15	6,823	(3,072)
Net finance income	12	1,082	1,898
Restructuring cost		(1,132)	(3,286)
Revenue from housing grants - restricted	7	3,833	-
Change in fair value of investment property		(671)	(2,192)
Net surplus / (deficit) for the year		17,316	(8,105)

The year's financial outcome reflects a changing environment in government procurement; tenders and grants which continue to present challenges for Mission Australia and the sector generally as governments at all levels operate under tighter fiscal constraints. Following the change of Government at the Commonwealth level, providers generally are being impacted by decisions to discontinue some programs and re-tender others with a reduction in funds being available.

Aggregation of services under head contracts, longer contract periods and payment linked to outcomes that shift risk to providers will increasingly impact current operating models of charities and not-for-profit providers. At the state level not-for-profit providers face similar challenges in a contestable market for service provision with governments seeking increased value for money from contracted programs.

These changing economic conditions continued to impact the financial performance of the Group in 2014. While the underlying surplus improved by \$8.8 million, a number of programs have been impacted by more constrained funding. The improved financial performance was achieved primarily through realignment of the business structure, cost reductions and growth in community and housing services. Additionally revenue streams from some areas of fundraising remained challenging meaning that some services were impacted. Significant matters include:

- An improvement of \$10.0 million in the financial performance of Employment related activities from a \$2.9 million deficit in 2013 to a \$7.1 million surplus in 2014. The improvement is largely attributed to cost savings arising from the restructure of the employment services division to allow it to operate more efficiently;
- Income from fundraising reduced by \$3.1 million from \$28.1 million in 2013 to \$25.0 million in 2014 in line with reduction generally in Corporate philanthropy;

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

6. Operating and financial review (continued)

6.3 Review of operations (continued)

- Share of profit recognised for equity accounted associates of \$6.8 million as compared to a loss of \$3.1 million in 2013. This was primarily due to the improved performance of Goodstart in which the group holds a 28.5% economic interest;
- Increase in rental income by \$4.1 million primarily arising from a larger portfolio being managed by Mission Australia Housing as compared to the prior year. Mission Australia Housing had its first full year of operations in managing up to 495 homes in Tasmania under a management contract with Housing Tasmania; and
- The successful execution of restructuring measures to implement an integrated service delivery model now sees leadership resources shared across a range of programs. The savings arising from the new operation model assisted the Group in providing more cost effective and client centred services.

6.4 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

Between 30 June 2014 and the date of issue of the financial statements, the Group, through Mission Australia Housing received capital grants representing the vesting of approximately 561 dwellings from Housing NSW under Tranche 2 of the Nation Building Economic Stimulus Plan (NBESP) scheme. Housing NSW is currently seeking changes to the contractual commitments relating to the vesting of assets under the NBESP scheme, which Mission Australia Housing is currently negotiating.

Mission Australia Housing has also received communication from Housing NSW in regards to its successful application towards vesting of another property in Camperdown, NSW. The application is now awaiting the final approval of the Governor in Executive Council prior to vesting.

In the 2015 financial year, this will have a significant impact in the Group's balance sheet equivalent to the fair value of the properties received. The same amount will be recognised in its income statement as capital grant income.

Mission Australia Housing (Victoria) signed a contract for sale in June 2014 for its Investment Property in Seddon, Victoria. As a result, the fair value of property and related balances within Mission Australia Housing (Victoria) are classified as Held-for-sale in the Group's balance sheet at 30 June 2014. Settlement in respect of the sale of this property was finalised in August 2014. Mission Australia Housing (Victoria) used the proceeds from the sale to pay the bank loan in full (\$5.1 million).

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 Company, 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

Mission Australia has several contracts with State and Federal Governments that fund the programs it runs to provide services to people in need. One of the major contracts is The Job Services Australia contract which is due to expire on 30 June 2015. The contract represented \$68.0 million in revenue in 2014. Significant changes to the fee structure and geographic footprint of the contract have now been announced to take effect in the next tender for this contract. At the date of signing of the financial statements this matter remained under review.

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.

DIRECTORS' REPORT

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9. Directors' interests

The Directors had no material interests in contracts or proposed contracts with the Company 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.

Premiums were paid for each of the Directors listed on page 3 of the Directors' Report.

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. Non-audit services

Details of the amounts paid to the auditor of the Company, 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

Audit services:

Audit and review of financial reports

Services other than statutory audit:

Other services

Other assurance services

	2014	2013
Audit services:		
Audit and review of financial reports	246,480	239,300
Services other than statutory audit:		
Other services		
Other assurance services	48,192	83,717
	48,192	83,717

KPMG also provided audit services for approximately 250 (2013: 255) projects that require an audited acquittal statement by the funding bodies. The costs of the acquittal audit services provided by KPMG in 2014 were \$227,500 (2013: \$224,400). These costs were acquitted to the individual projects.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES **30 JUNE 2014 ANNUAL FINANCIAL REPORT**

12. 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. Quarterly 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 6 *Operating segments* for more details on performance of individual business segments.

13. Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 16 and forms part of the Directors' Report for the financial year ended 30 June 2014.

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.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

18. Rounding off

The Group is of a kind referred to in *ASIC Class Order 98/100* dated 1 July 1998 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 26 November 2014 at Level 6, 580 George Street, Sydney 2000, New South Wales, 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

Melbourne, 27 October 2014



Jennifer Lambert
Chair, Board Audit and Risk Committee

Melbourne, 27 October 2014



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 2014 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

27 October 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2014

In thousands of AUD

	Note	2014	2013
Revenue from rendering services	8	289,284	268,403
Revenue from housing grants - restricted	7	3,833	-
Income from fundraising	35	25,023	28,088
Income from rental		19,522	15,458
Income from sale of goods		7,017	6,455
Gain on sale of property, plant and equipment		220	-
Other income	9	3,090	5,121
Total revenue for the year		347,989	323,525
Personnel expenses	11	(221,168)	(218,247)
Occupancy and accommodation expenses		(36,732)	(33,943)
Transport and equipment hire expenses		(12,673)	(13,781)
Communication expenses		(12,783)	(12,173)
Client expenses		(8,390)	(7,667)
Depreciation and amortisation expenses	18,19	(8,103)	(7,429)
Restructuring costs		(1,132)	(3,286)
Insurance expenses		(2,128)	(1,579)
Other expenses		(35,469)	(32,351)
Total expenses for the year		(338,578)	(330,456)
Results from operating activities		9,411	(6,931)
Finance income		3,190	4,245
Finance costs		(2,108)	(2,347)
Net finance income	12	1,082	1,898
Share of profit / (loss) of equity accounted investees	15	6,823	(3,072)
Net surplus / (deficit) for the year		17,316	(8,105)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	18	(1,689)	(40)
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(44)	73
Other comprehensive income for the year		(1,733)	33
Total comprehensive income / (loss) for the year		15,583	(8,072)
Net surplus / (deficit) attributable to			
Members of the Company		17,316	(8,105)
Surplus / (Deficit) for the year		17,316	(8,105)
Total comprehensive income / (loss) attributable to			
Members of the Company		15,583	(8,072)
Comprehensive income / (loss) for the year		15,583	(8,072)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

As at 30 June 2014

In thousands of AUD

	Note	2014	2013
Assets			
Cash and cash equivalents	13	13,469	27,057
Trade and other receivables	14	20,377	18,890
Investments	17	15,989	14,382
Prepayments		5,233	4,273
Other assets	10	7	10
Assets held for sale	22	8,900	-
Total current assets		63,975	64,612
Trade and other receivables	14	9,907	9,438
Investments in equity accounted investees	15	10,690	10,140
Investments in equity accounted investees - restricted	15	13,238	6,965
Investment property	16	9,709	19,951
Investment property - restricted	16	140,201	135,660
Property, plant and equipment	18	86,516	88,809
Intangible assets	19	8,191	8,944
Total non-current assets		278,452	279,907
Total assets		342,427	344,519
Liabilities			
Trade and other payables	20	30,666	32,981
Loans and borrowings	21	5,212	103
Employee benefits	23	15,622	15,272
Deferred income	24	22,128	26,299
Total current liabilities		73,628	74,655
Other payables	20	5,156	5,002
Loans and borrowings	21	17,224	34,436
Employee benefits	23	4,100	3,690
Total non-current liabilities		26,480	43,128
Total liabilities		100,108	117,783
Net assets		242,319	226,736
Equity			
Cash flow hedging reserves		(843)	(799)
Asset revaluation reserves		20,585	22,274
Accumulated surplus		75,679	71,604
Restricted accumulated surplus	25	146,898	133,657
Total equity		242,319	226,736

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2014

In thousands of AUD

	Note	Cash flow Hedge Reserve	Asset Revaluation Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Balance at 1 July 2012		(872)	23,183	80,824	131,993	235,128
Adjustment to accumulated surplus 2011-12		-	-	(320)	-	(320)
Total comprehensive income / (loss) for the year						
(Deficit) / surplus		-	-	(9,769)	1,664	(8,105)
Transfer (from) / to accumulated surplus		-	(869)	869	-	-
Other comprehensive income / (loss)						
Effective portion of changes in fair value of cash flow hedges		73	-	-	-	73
Revaluation decrement	18	-	(40)	-	-	(40)
Total other comprehensive income / (loss)		73	(40)	-	-	33
Total comprehensive income / (loss) for the year		73	(909)	(8,900)	1,664	(8,072)
Balance at 30 June 2013		(799)	22,274	71,604	133,657	226,736
Balance at 1 July 2013		(799)	22,274	71,604	133,657	226,736
Adjustment to accumulated surplus 2012-13		-	-	-	-	-
Total comprehensive income for the year						
Surplus		-	-	4,075	13,241	17,316
Transfer (from) / to accumulated surplus		-	-	-	-	-
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges		(44)	-	-	-	(44)
Revaluation increment	18	-	(1,689)	-	-	(1,689)
Total other comprehensive (loss) / income		(44)	(1,689)	-	-	(1,733)
Total comprehensive (loss) / income for the year		(44)	(1,689)	4,075	13,241	15,583
Balance at 30 June 2014		(843)	20,585	75,679	146,898	242,319

CONSOLIDATED STATEMENT OF CASH FLOWS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2014

In thousands of AUD

	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		372,706	364,572
Cash paid to suppliers and employees		(367,375)	(355,127)
Cash generated from operations		5,331	9,445
Interest received		1,359	968
Interest paid		(1,710)	(2,280)
External donations paid		(203)	(710)
Net cash from operating activities	13	4,777	7,423
Cash flows from investing activities			
Dividend received		117	123
Proceeds from sale of investment properties		645	1,661
Payments for fixed assets and investment properties	16,18	(5,060)	(12,203)
Payments for intangibles	19	(1,964)	(1,920)
Proceeds from sale of investment in shares		-	5,000
Net cash used in investing activities		(6,262)	(7,339)
Cash flows from financing activities			
Proceeds from bank borrowings		9	7,313
Repayment of borrowings		(12,112)	(95)
Net cash (used in) / from financing activities		(12,103)	7,218
Net (decrease) / increase in cash and cash equivalents		(13,588)	7,302
Cash and cash equivalents at 1 July		27,057	19,755
Cash and cash equivalents at 30 June	13	13,469	27,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL 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 2014 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates. The Group is a not-for-profit entity and primarily involved in supplying spiritual and material aid to needy people in the community regardless of creed. Our pathways for life include Housing, Training and Skills, Employment Services, Children and Families and Youth Services.

2. Basis of preparation

2.1 Statement of compliance

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 27 October 2014.

2.2 Basis of measurement

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;
- available-for-sale financial assets are measured at fair value; and
- property 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 4. The financial report has been prepared on a going concern basis.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

2.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2014 are included in the following notes:

- Note 5 – *Financial Risk Management*
- Note 28 – *Contingencies*

i. 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.

The 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 the 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 market observable 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 5 – *Financial risk management*
- Note 16 – *Investment property*
- Note 18 – *Property, plant and equipment*
- Note 22 – *Assets held for sale*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

2. Basis of preparation (continued)

2.5 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 *Consolidated Financial Statements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*

i. Disclosure of interests in other entities

As a result of AASB 12, the Group includes detailed disclosures about its interests in subsidiaries in Note 30 and equity-accounted investees in Note 15.

ii. Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

iii. Employee Benefits

As a result of AASB 119, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its short term employee benefits.

iv. Property, plant and equipment

In accordance with AASB 116, the Group has re-classified some of its *Land and Buildings* that are measured using the fair value model into a separate class *Land and Buildings – Aged Care* which will be measured at cost.

Land and Buildings purchased or constructed using government grants to provide aged care services are now classified in this separate class of assets. These assets have restricted revenue streams and their use is governed by the conditions under which the grant was provided by the government to allow purchase or construction of the facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

2. Basis of preparation (continued)

2.6 Working capital

There is a net current asset deficiency in the Group as at 30 June 2014 of \$9.7 million; (2013: \$10.0 million). This is mainly due to deferred income of \$22.1 million; (2013: \$26.3 million) in the Group, being recorded within current liabilities.

The deficiency in the Company is \$29.7 million; (2013: \$21.5 million) and is also due to deferred income of \$19.2 million; (2013: \$24.0 million).

The funding arrangements with governments allow for upfront cash payments and instalment payments in advance, which are deferred on the balance sheet until the services have been delivered and the revenue is recognised. Historically, deferred income, on average at individual programme levels, has remained at consistent levels. As at 30 June 2014, the Group also had an unutilised working capital facility of \$21.0 million; (2013: \$7.0 million). It is the opinion of the Directors that the Group will generate sufficient cash flow from their operations and has sufficient banking facilities available to continue their operations and fulfil all of their financial obligations as and when they fall due.

In 2014, assets held-for-sale of \$8.9 million and related liabilities of \$5.1 million were reclassified from non-current to current because of an existing contract for sale on this asset. This reclassification had a positive effect of \$3.8 million on the Group's working capital.

3. 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.

3.1 Basis of consolidation

i. Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

ii. Subsidiaries

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

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 any restrictions on appropriation of capital, is the overriding determinant of whether an entity is consolidated.

iii. 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. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. 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. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, 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.

iv. 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.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Amounts outstanding are translated at year end rate. Foreign currency differences are generally recognised in profit or loss.

3.3 Financial instruments

i. Non-derivative financial assets

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the *Consolidated 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.

The Group has the following non-derivative financial assets: financial assets at fair value through profit and or loss; held-to-maturity financial assets; trade and other receivables; and cash and cash equivalents.

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 are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any dividend income are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

i. Non-derivative financial assets (continued)

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the *Statement of Cash Flows*.

Cash and cash equivalents also includes Sinking Funds. Sinking Funds are cash balances set aside for periodic repairs and maintenance of investment properties and are utilized to cover the costs of future capital expenses in the long term.

Available for sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency difference on debt instruments. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

ii. Non-derivative financial liabilities

The Group initially recognises debt securities and subordinated liabilities issued, on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

iii. 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:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- the separate instrument with the same term as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 - 125 per cent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially 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.

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 balance in equity is reclassified to profit or loss.

3.4 Property, plant and equipment

i. Recognition and measurement

Property plant and equipment are assets that are used by the Group in the ordinary course of the business, for use in production or supply of goods and services or for administrative purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

i. Recognition and measurement (continued)

Freehold land and buildings (except assets classified under asset class *Land and buildings – Aged Care* which are measured at cost) are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

When the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

When the carrying amount of a class of assets decreases as a result of a revaluation, the net revaluation decrease is recognised in profit or loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in any revaluation surplus in respect of that same class of asset. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated surplus.

Land and Buildings – Aged Care, Leasehold improvement, plant and equipment and IT assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to accumulated surplus.

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and, its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight line basis 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.

iv. Reclassification of investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised immediately in profit or loss.

3.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value (see Note 4) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalised borrowing costs.

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 retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

In regards to the application of this policy to the assets of Mission Australia Housing and Mission Australia Housing (Victoria), detailed disclosure is made within the notes to the financial statements. This includes any specific terms relating to the ownership of those assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.6 Intangible assets

i. Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

ii. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

iii. 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.

iv. Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits in the asset. Goodwill is not amortised. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 5 years

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

v. Bed licence

Bed Licences are granted by the Department of Health and Ageing in perpetuity and their useful life is considered to be indefinite. Bed Licences are granted by the Department of Health and Ageing for no consideration. 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.

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3. Significant accounting policies (continued)

3.7 Leased assets

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

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's *Statement of Financial Position*. Investment property held under an operating lease is recognised on the Group's *Statement of Financial Position* at its fair value.

3.8 Impairment

i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. For goodwill impairment testing, subject to an operating segment ceiling test, Cash generating unit (CGU) are aggregated to reflect the lowest level at which management review goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.8 Impairment (continued)

ii. 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. Goodwill and intangible assets that have indefinite useful lives are tested annually for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

ii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.9 Employee benefits (continued)

iii. 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.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and 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.

3.10 Provisions

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

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 costs are not provided for.

3.11 Revenue

i. Services revenue

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

ii. 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.

iii. Rental income

Rental income from investment property is recognised in profit or loss 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 subleased property is recognised as other income.

iv. 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.

v. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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3. Significant accounting policies (continued)

3.12 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 profit or loss as other income on a systematic basis over the useful life of the asset.

3.13 Leases

i. 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii. Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

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

3.14 Finance income and expense

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.15 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)
- Many Rivers Microfinance Limited
- Mission Australia Early Learning
- The Trustee for Mission Australia International Overseas Development Fund

3.16 Goods and services tax

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

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

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3.17 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3.18 Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.19 New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

i. **AASB 9 Financial Instruments (2013), AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009) (together AASB 9)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets.

AASB 9 (2013) introduces new requirements for hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2017. The effective date is subject to review pending the finalisation of the outstanding phases of the standard. However, early adoption is permitted. The adoption of these standards is expected to have an impact on the Company's financial assets, but no impact on the Company's financial liabilities. The Company has not yet determined the impact on its hedging arrangements.

4. 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.

4.1 Land and buildings

The fair value of land and buildings is based on market values. 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.

The fair value of at least one-third of the Group's land and building portfolio at 30 June 2014 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 2014 has been determined by the Directors and management based on valuations and assessment of market conditions.

4.2 Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values one-third of Group's investment property portfolio annually. Properties selected for annual valuation are selected on a rotational basis to ensure each property is valued 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.

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4. Determination of fair values (continued)

4.2 Investment property (continued)

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 reflect, 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.

4.3 Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

4.4 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.

4.5 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.

5. Financial risk management

5.1 Overview

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

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

5. Financial risk management (continued)

5.2 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 their risk management framework 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 their 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.

5.3 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 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 undertaking training courses, 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.

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 subsidiaries.

5. Financial risk management (continued)

5.4 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 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 \$46.6 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 6.01 per cent.

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

5.5 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.

i. Currency risk

The Group is not exposed to significant currency risk and its exposure to foreign currency risk is limited to share of investment in Working Links and a small part of its investment in listed equities (e.g. shares held in foreign entities).

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.

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.

5.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The majority of the Group's funding arises from a number of government contracts. There is an ongoing risk that existing contracts will not be renewed when the contract ends. Where possible, expenditure commitments such as property leases are made so as to align with the term of material contracts. This risk is monitored very closely by Management and the Board.

The Group's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness, and to avoid control procedures that restrict initiative and creativity.

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5. Financial risk management (continued)

5.6 Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for managing operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documents of control and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with the Group standards is supported by a program of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Management of the business unit to which they relate, with summaries submitted to the Board Audit and Risk Committee.

5.7 Exposure to credit risk

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:

<i>In thousands of AUD</i>	Note	Carrying amount	
		2014	2013
Trade and other receivables	14	30,284	28,328
Investments	17	15,989	14,382
		46,273	42,710

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

<i>In thousands of AUD</i>	Carrying amount	
	2014	2013
Governments	18,615	16,663
Early learning customers	706	669
Other customers	4,232	4,265
Other related parties	6,731	6,731
	30,284	28,328

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5. Financial risk management (continued)

5.7 Exposure to credit risk (continued)

i. 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 (2013: nil).

	Gross	Gross
<i>In thousands of AUD</i>	2014	2013
Not past due	18,944	17,432
Past due 0-30 days	982	1,230
Past due 31-120 days	451	228
	20,377	18,890

Based on historic default rates and analysis over external sundry debtors as at 30 June 2014, 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 98 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 receivable is assessed based on a credit policy established by Risk Management Committee. The Group has monitored customer credit risk, by grouping trade and other receivable based on their characteristics. An analysis of the credit quality of trade and other receivables not impaired is as follows:

<i>In thousands of AUD</i>	Gross	Gross
	2014	2013
Receivable from State and Federal governments (low risk)	18,615	16,663
Receivable from related parties (low risk)	6,731	6,731
Other customers:		
- Four or More year trading history with the Group	2,661	1,742
- Less than four years of trading history with the Group	2,277	3,192
- Higher risk	-	-
	30,284	28,328

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired. All trade and other receivables that are considered higher risk have been provided for and hence not reported in the table above.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivable not past due.

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5. Financial risk management (continued)

5.8 Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments. Contractual amounts are expected payments that have not been discounted.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2014					
<i>In thousands of AUD</i>					
Non-derivative financial liabilities *					
Trade and other payables	30,666	30,666	30,097	-	569
Loans and borrowings	22,436	26,264	5,666	535	20,063
	53,102	56,930	35,763	535	20,632
Derivative financial liabilities					
Interest rate swap used for hedging	808	808	35	-	773
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2013					
<i>In thousands of AUD</i>					
Financial liabilities *					
Trade and other payables	32,981	32,981	32,435	-	546
Loans and borrowings	34,539	42,227	7,021	3,935	31,271
	67,520	75,208	39,456	3,935	31,817
Derivative financial liabilities					
Interest rate swap used for hedging	798	798	-	-	798

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

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5. Financial risk management (continued)

5.8 Exposure to liquidity risk (continued)

The following table indicates 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.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2014					
<i>in thousands of AUD</i>					
Interest rate swaps					
Liabilities	808	808	35	-	773
2013					
<i>in thousands of AUD</i>					
Interest rate swaps					
Liabilities	798	798	-	-	798

The following table indicates 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.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2014					
<i>in thousands of AUD</i>					
Interest rate swaps					
Liabilities	808	808	35	-	773
2013					
<i>in thousands of AUD</i>					
Interest rate swaps					
Liabilities	798	798	-	-	798

The gross inflows (outflows) disclosed in the previous table represent the contractual undiscovered cash flow relating to derivative financial liabilities led for risk management purpose 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 21, the Group has two secured bank loans which contain debt covenants. The breach of any covenant may require the Group to repay the loan earlier than indicated in the above table.

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5. Financial risk management (continued)

5.9 Exposure to currency risk

The Group is not exposed to significant currency risk.

5.10 Interest rate risk

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

2014

In thousands of AUD

Fixed rate instruments

Financial assets

Financial liabilities

- Bank loans

- Borrowing from John Barnes Foundation

Variable rate instruments

Financial liabilities

- Bank loans

Carrying amount	Average	Interest rate range	
		From	To
\$	%	%	%
(20,380)	5.6	5.6	5.6
(836)	8.4	8.4	8.4
(21,216)			
(1,220)	4.2	4.1	4.4
(1,220)			

2013

In thousands of AUD

Fixed rate instruments

Financial assets

- Bank loans

- Borrowing from John Barnes Foundation

Variable rate instruments

Financial liabilities

- Bank loans

Carrying amount	Average	Interest rate range	
		From	To
\$	%	%	%
(20,380)	5.6	4.7	6.6
(939)	8.4	8.4	8.4
(21,319)			
(13,220)	4.9	4.4	5.5
(13,220)			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. Financial risk management (continued)

5.10 Interest rate risk (continued)

i. 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 \$12,200; (2013: \$132,200).

5.11 Other market price risk

The other investments in wholesale funds of \$16.0 million; (2013: \$14.4 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 \$0.16 million; (2013: \$0.14 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.

5.12 Fair values versus carrying amounts

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

	Note	2014		2013	
<i>In thousands of AUD</i>		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	13	13,469	13,469	27,057	27,057
Trade and other receivables	14	30,284	30,284	28,328	28,328
Investments	17	15,989	15,989	14,382	14,382
Trade and other payables	20	(35,822)	(35,822)	(37,983)	(37,983)
Loans and borrowings	21	(21,600)	(21,600)	(33,600)	(33,600)
Borrowing from John Barnes Foundation	21	(836)	(836)	(939)	(939)
Interest rate swap used for hedging		(808)	(808)	(798)	(798)
		676	676	(3,553)	(3,553)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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5. Financial risk management (continued)

5.12 Fair values versus carrying amounts (continued)

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.

5.13 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

30-June-2014

	Level 1	Level 2	Level 3	Total
Investment	15,989	-	-	15,989
Interest rate swap used for hedging	-	(808)	-	(808)
	15,989	(808)	-	15,181

In thousands of AUD

30-June-2013

	Level 1	Level 2	Level 3	Total
Investment	14,382	-	-	14,382
Interest rate swap used for hedging	-	(798)	-	(798)
	14,382	(798)	-	13,584

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.

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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6. Operating segments

The Group comprises the following main reportable segments:

Division	Primary activities
Employment services	The provision of assistance to job seekers, particularly the disadvantaged and long-term unemployed.
Community services	The improvement of health, well-being, social and economic participation of Australia's disadvantaged people as well as 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.
Fundraising	The fundraising division raises money from donors to be contributed towards other divisions to help people in need.
Other	Other operations include 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.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating segments*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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6. Operating segments (continued)

Information about reportable segments

2014	<i>Employment Services</i>	<i>Community Services</i>	<i>Housing Services</i>	<i>Early Learning</i>	<i>Fundraising</i>	<i>Other</i>	<i>Consolidated</i>
<i>In thousands of AUD</i>							
External revenues	95,018	159,134	23,365	43,478	20,344	7,321	348,660
Inter-segment revenues	426	8,441	71	1,787	(4,705)	52,517	58,537
Interest income	-	4	94	-	-	1,277	1,375
Interest expense	-	-	(1,351)	-	-	(757)	(2,108)
Depreciation expense	(549)	(744)	(148)	(396)	-	(3,549)	(5,386)
Amortisation expense	-	(2)	(365)	(1)	-	(2,349)	(2,717)
Reportable segment surplus / (deficit)	7,051	1,923	6,966	(2,695)	7,858	(3,787)	17,316
Share of profit of equity method investees	-	-	-	-	-	6,823	6,823
<i>Other material non-cash items:</i>							
Change in the fair value movement	-	-	(601)	-	-	(70)	(671)
Fair value of properties received under NBESP*	-	-	3,833	-	-	-	3,833
Reportable segment assets	7,134	698	169,886	1,857	170	138,754	318,499
Investment in associates	-	-	-	-	-	23,928	23,928
Capital expenditure (Includes reclassification of finished WIP)	-	-	-	-	-	5,060	5,060
Reportable segment liabilities	(1,945)	(18,827)	(4,659)	(5,513)	(5)	(69,159)	(100,108)
2013	<i>Employment Services</i>	<i>Community Services</i>	<i>Housing Services</i>	<i>Early Learning</i>	<i>Fundraising</i>	<i>Other</i>	<i>Consolidated</i>
<i>In thousands of AUD</i>							
External revenues	91,088	142,326	17,384	41,508	23,386	10,026	325,718
Inter-segment revenues	6,704	24,077	225	2,120	(8,245)	33,132	58,013
Interest income	-	21	16	-	-	1,295	1,332
Interest expense	-	-	(1,720)	-	-	(627)	(2,347)
Depreciation expense	(562)	(769)	(172)	(281)	-	(2,946)	(4,730)
Amortisation expense	(18)	(1,905)	(341)	-	-	(435)	(2,699)
Reportable segment (deficit) / surplus	(2,946)	(2,326)	650	(4,281)	4,847	(4,049)	(8,105)
Share of loss of equity method investees	-	-	-	-	-	(3,072)	(3,072)
<i>Other material non-cash items:</i>							
Change in the fair value movement	-	-	(1,948)	-	-	(245)	(2,193)
Fair value of properties received under NBESP*	-	-	-	-	-	-	-
Reportable segment assets	6,785	1,859	161,253	1,632	-	155,885	327,414
Investment in associates	-	-	-	-	-	17,105	17,105
Capital expenditure (Includes reclassification of finished WIP)	-	-	-	-	-	12,203	12,203
Reportable segment liabilities	(2,731)	(23,491)	(4,948)	(3,462)	(361)	(82,790)	(117,783)

* Nation Building Economic Stimulus Plan (Refer Note 7 for more details)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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6. Operating segments (continued)

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

In thousands of AUD

Revenues

	2014	2013
Total revenue for reportable segments	346,758	338,625
Other revenue	59,768	42,913
Elimination of inter-segment revenue	(58,537)	(58,013)
Consolidated revenue	347,989	323,525

Surplus or (Deficit)

Total profit for reportable segments	21,103	(4,056)
Other loss	(3,787)	(4,049)
Consolidated surplus / (deficit)	17,316	(8,105)

Assets

Total assets for reportable segments	179,745	171,529
Other assets	138,754	155,885
Investment in equity accounted associates	23,928	17,105
Consolidated total assets	342,427	344,519

Liabilities

Total liabilities for reportable segments	30,949	34,993
Other liabilities	69,159	82,790
Consolidated total liabilities	100,108	117,783

Other Material Items 2014

Reportable Segment totals	Adjustments	Consolidated totals
------------------------------	-------------	------------------------

In thousands of AUD

Interest revenue	98	1,277	1,375
Interest expenses	(1,351)	(757)	(2,108)
Capital expenditure (Includes reclassification of finished WIP)	-	5,060	5,060
Depreciation and amortisation	(2,205)	(5,898)	(8,103)

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7. Housing grants

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

In thousands of AUD

	2014	2013	2012-10	Total
SHGF* grant received	-	-	16,925	16,925
Fair value of properties received under NBESP **	3,833	-	109,157	112,990
Fair value of properties received - BHF***	240	283	-	523
Total grant received	4,073	283	126,082	130,438

* Social Housing Growth Fund

** Nation Building Economic Stimulus Plan

*** Better Housing Futures

7.1 Social Housing Growth Fund grant (SHGF)

Mission Australia Housing received grants in the past from the New South Wales Land and Housing Corporation (the Corporation) (2011: \$2.0 million; 2010: \$14.9 million) to purchase properties that could be affordably rented by people in need (referred to as the SHGF grant from this point).

One of the grant conditions provided that Mission Australia Housing secures additional finance worth \$14.0 million, by using the properties purchased from the SHGF grant as a security. In 2011, Mission Australia Housing entered into a \$14.0 million loan facility agreement with our bankers. This facility remains fully drawn.

7.2 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 and management of 68 Nation Building Stage 2 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under Stage 2 of the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative. Per the requirement of this tender, successful applicants were to receive title to a given number of units and, in return, were required to:

- deliver property and management services to clients eligible for public housing, including people with high-level housing needs;
- allocate the accommodation to particular client groups in accordance with specified target quotas;
- use the properties to leverage financial resources in partnership with private sector institutions; and
- use those resources to create additional affordable housing targeted towards low to moderate income households experiencing housing stress.

Mission Australia Housing received title to 494 of these units (as first instalment) in April 2011 with the remaining 561 dwellings vested on 11 July 2014.

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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7. Housing grants (continued)

7.3 Better Housing Future (BHF)

In 2012 the Tasmanian Government, under the Department of Health and Human Services released a request for tenders entitled Better Housing Futures Stage 1. This program is part of a state initiative to provide quality social housing and also to rejuvenate the neighbourhoods of Clarendon Vale and Rokeby, north of Hobart. Mission Australia Housing was named the successful tenderer in December 2012 and commenced program operations on 18 March 2013 under two separate agreements with the Department of Health and Human Services. The housing grants were received under the Sale and Development Agreement that Mission Australia Housing signed with Department of Health and Human Services, Tasmania.

This agreement outlines a strategy and timetable for the Department of Health and Human Services to transfer approximately 176 vacant lots in the Clarendon Vale and Rokeby area to Mission Australia Housing in order to:

- Provide a source of revenue through staged land sales for Mission Australia Housing to meet the costs of expenditure (including the property upgrade program) to manage and maintain the social housing portfolio (the subject of Residential Management Agreement);
- to deliver property upgrades; and
- to increase supply of social and affordable housing.

The NBESP and SHGF 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. Revenue

In thousands of AUD

Revenue from rendering services

Employment Services

Community Services

Early Learning

Housing

Other

2014	2013
94,625	90,806
144,213	129,088
43,301	41,354
3,421	3,897
3,724	3,258
289,284	268,403

9. Other income

In thousands of AUD

Change in fair value of investment property

Other capital grants

Other miscellaneous income

2014	2013
(671)	(2,192)
1,661	6,169
2,100	1,144
3,090	5,121

10. Other assets

In thousands of AUD

Inventory

2014	2013
7	10
7	10

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11. Personnel expenses

In thousands of AUD

	2014	2013
Wages and salaries	188,713	183,212
Other associated personnel expenses	15,167	18,606
Contributions to defined contribution plans	17,288	16,429
	221,168	218,247

12. Finance income and finance costs

In thousands of AUD

Recognised in profit or loss:

	2014	2013
Interest income	1,375	1,332
Dividend income	116	123
Fair value through profit or loss	1,699	2,790
Finance income	3,190	4,245
Interest expense	2,108	2,347
Finance expense	2,108	2,347
Net finance income recognised in surplus	1,082	1,898

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	1,375	1,332
Total interest expense on financial liabilities	2,108	2,347

13. Cash and cash equivalents

In thousands of AUD

	2014	2013
Bank balances	11,798	26,515
Bank balances - Sinking fund	1,671	542
Cash and cash equivalents in the statement of cash flows	13,469	27,057

Sinking Funds are cash balances set aside for periodic repairs and maintenance of investment properties and are utilized 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.

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13. Cash and cash equivalents (continued)

13.1 Reconciliation of cash flows from operating activities

In thousands of AUD

	Note	2014	2013
Cash flows from operating activities			
Surplus / (Deficit) for the year		17,316	(8,105)
Adjustments for:			
Depreciation of property, plant and equipment	18	5,386	4,730
Amortisation of intangible assets	19	2,717	2,699
Dividend received		(117)	(123)
Share of equity accounted profit net of dividends	15	(6,823)	3,072
Change in fair value of investment property		671	2,192
Unrealised gain on other investments		(1,700)	(2,790)
Loss on sale of property, plant and equipment		(214)	(321)
Interest receivable		(11)	(382)
Bequest receivable		(441)	-
Non-cash housing grant	7	(240)	(283)
NBESP non-cash income		(3,833)	-
Cash from operations before changes in working capital and provisions		12,711	689
Change in trade and other receivables	14	(1,278)	3,726
Change in prepayments		(960)	(1,730)
Change in trade and other payables	20	(2,315)	581
Change in employee benefits	23	760	1,523
Other assets		3	(1)
Change in deferred income	24	(4,144)	2,635
Cash generated from operations		4,777	7,423

14. Trade and other receivables

In thousands of AUD

Current

Trade receivables	20,312	18,847
Other receivables	65	43
	20,377	18,890

Non Current

Subordinated notes in Goodstart Early Learning	6,731	6,731
Other non-current receivables	3,176	2,707
	9,907	9,438
	30,284	28,328

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 5.

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15. Equity accounted investments

Goodstart Early Learning

In thousands of AUD

	2014	2013
Opening balance	6,965	5,951
Share of profit for the year - restricted	6,273	1,014
Investment in Goodstart Early Learning - restricted	13,238	6,965

Working Links (Employment) Limited

In thousands of AUD

	2014	2013
Opening balance	10,140	14,226
Share of profit / (loss) for the year	550	(4,086)
Investment in Working Links (Employment) Limited	10,690	10,140
Total equity accounted investment in associates	23,928	17,105

The Group's share of profit in its equity accounted investees for the year was \$6.8 million; (2013: \$3.1 million loss).

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 2014

Goodstart Early Learning	28.5%	235,326	188,874	872,226	22,012
Working Links (Employment) Limited (associate)	33.3%	53,331	28,748	155,917	1,653

as at June 2013

Goodstart Early Learning	28.5%	243,684	219,244	769,979	3,558
Working Links (Employment) Limited (associate)	33.3%	46,534	28,285	121,280	(12,270)

Working Links (Employment) Limited is incorporated in the United Kingdom.

Goodstart Early Learning (Goodstart) is a company limited by guarantee incorporated in Australia.

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

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15. Equity accounted investments (continued)

The Group also exercises significant influence over Goodstart based on the following factors:

- 28.5 per cent economic interest in Goodstart which entitles the Group to receive interest payments on this investment;
- 25 per cent voting right in the Goodstart Members Committee;
- Right to appoint two Directors on the Goodstart Board; and
- 25 per cent representation in the Member's committee that is responsible for making key operating and strategic decisions of Goodstart including appointment and removal of Directors and amendment to the constitution.

The Group's significant influence in relation to Goodstart is reviewed on an annual basis by management and changes are referred to the Board for further consideration.

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) is 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*.

The Accounting treatment of the Group's interest in Goodstart is the same as noted above (for Working Links), except for the recognition of accumulated surplus. The Group recognises the share of income from Goodstart as Restricted Accumulated Surplus.

Goodstart is a not-for-profit company limited by guarantee and it does not pay dividends to its members. In the event of winding up, the Group's interest in the Associate (and its net assets) can be used towards a similar social and charitable purpose that currently defines Goodstart's existence. Hence, the share of profit for the year of \$6.3 million (2013: \$1.0 million) from Goodstart is recognised as Restricted Accumulated Surplus as it cannot be directly realised by the Group even in the event of winding up.

Goodstart has a Members' Committee that operates under the auspices of the members' charter that was agreed by the founding members on its incorporation. In accordance with the requirements of this charter, this committee meets at least twice a year and reviews the strategic direction of Goodstart, progress on, and directions for, early learning and social initiatives, and any other matters as notified by the Goodstart's Board.

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16. Investment property

In thousands of AUD

	<i>Group owned Properties</i>	<i>Purchased from SHGF*</i>	<i>Received under NBESP**</i>	<i>Total</i>
Fair value	-----Restricted-----			
Balance at 1 July 2012	19,815	29,723	107,221	156,759
Purchased	427	3	16	446
Received as grants	283	-	-	283
Change in fair value	(889)	401	(1,704)	(2,192)
Reclassified from PPE	315	-	-	315
Balance at 30 June 2013	19,951	30,127	105,533	155,611
Balance at 1 July 2013	19,951	30,127	105,533	155,611
Purchased	219	-	1	220
Received as grants	-	-	-	-
Received as stock transfer	248	-	3,833	4,081
Disposal	(431)	-	-	(431)
Change in fair value	(1,378)	3,721	(3,014)	(671)
Reclassification to asset held for sale	(8,900)	-	-	(8,900)
Balance at 30 June 2014	9,709	33,848	106,353	149,910

* *Social Housing Growth Fund*

** *Nation Building Economic Stimulus Plan*

Please refer to Note 7 – *Housing grants* for more background information on assets purchased from Social Housing Growth Fund (SHGF) and assets received under Nation Building Economic Stimulus Plan (NBESP).

Assets purchased from SHGF 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.

16.1 Valuations methodology

Independent valuations are obtained for all investment properties 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 individual residential dwellings. Hence, in determining the fair value of these Investment Properties where separate title is not yet available, the Group has allowed for costs that will be incurred to obtain such title.

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16. Investment property (continued)

16.2 Security

At 30 June 2014, investment property with a carrying amount of \$48.9 million; (2013: \$45.3 million) is subject to a mortgage to secure bank loans.

17. Investments

In thousands of AUD

Current investments

Opening balance

Disposals

Movement in fair value

Financial assets designated at fair value through profit or loss

2014	2013
14,382	16,697
-	(5,000)
1,607	2,685
15,989	14,382

The financial assets designated at fair value through profit or losses are equity securities managed by Goldman Sachs JB Were. 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 5.

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18. Property, plant and equipment

<i>Cost or fair value</i>	<i>-- Fair Value --</i>		<i>-----At Cost-----</i>				<i>Total</i>
	<i>Land and buildings</i>	<i>Land and buildings - Aged Care</i>	<i>Leasehold Improvement</i>	<i>Plant and Equipment</i>	<i>IT Assets</i>	<i>Capital Work In Progress</i>	
<i>In thousands of AUD</i>							
Balance at 1 July 2012	59,638	3,800	17,349	7,496	2,243	11,802	102,328
Additions (Includes reclassification from WIP)	78	17,641	2,416	1,956	1,358	(11,692)	11,757
Revaluation	(316)	-	-	-	-	-	(316)
Disposals	(1,366)	-	(612)	(575)	-	-	(2,553)
Reclassification to investment property	(315)	-	-	-	-	-	(315)
Balance at 30 June 2013	57,719	21,441	19,153	8,877	3,601	110	110,901
Balance at 1 July 2013	57,719	21,441	19,153	8,877	3,601	110	110,901
Additions (Includes reclassification from WIP)	-	-	2,205	985	904	746	4,840
Revaluation	(2,204)	-	-	-	-	-	(2,204)
Disposals	-	-	(1,743)	(486)	(2)	-	(2,231)
Balance at 30 June 2014	55,515	21,441	19,615	9,376	4,503	856	111,306
<i>Depreciation and impairment losses</i>							
	<i>Land and buildings</i>	<i>Land and buildings - Aged Care</i>	<i>Leasehold Improvement</i>	<i>Plant and Equipment</i>	<i>IT Assets</i>	<i>Capital Work In Progress</i>	<i>Total</i>
Balance at 1 July 2012	379	-	12,610	5,357	456	-	18,802
Depreciation	572	196	2,180	861	921	-	4,730
Off set upon revaluation	(276)	-	-	-	-	-	(276)
Disposals	(25)	-	(591)	(548)	-	-	(1,164)
Balance at 30 June 2013	650	196	14,199	5,670	1,377	-	22,092
Balance at 1 July 2013	650	196	14,199	5,670	1,377	-	22,092
Depreciation	553	353	2,203	1,069	1,208	-	5,386
Off set upon revaluation	(515)	-	-	-	-	-	(515)
Disposals	-	-	(1,743)	(428)	(2)	-	(2,173)
Balance at 30 June 2014	688	549	14,659	6,311	2,583	-	24,790
<i>Carrying amounts</i>							
	<i>Land and buildings</i>	<i>Land and buildings - Aged Care</i>	<i>Leasehold Improvement</i>	<i>Plant and Equipment</i>	<i>IT Assets</i>	<i>Capital Work In Progress</i>	<i>Total</i>
At 1 July 2012	59,259	3,800	4,739	2,139	1,787	11,802	83,526
At 30 June 2013	57,069	21,245	4,954	3,207	2,224	110	88,809
At 1 July 2013	57,069	21,245	4,954	3,207	2,224	110	88,809
At 30 June 2014	54,827	20,892	4,956	3,065	1,920	856	86,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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18. Property, plant and equipment (continued)

Land and buildings are valued at fair value. Fair value is assessed by external experts every year for one third of the total property portfolio ensuring each property gets externally valued once every three years.

Land and buildings – Aged Care are valued at cost. The Group has changed its accounting policy, effective 1 July 2013, from fair value to historical cost for measurements of land and buildings purchased or constructed using government grants to provide aged cared services. *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.

The Group currently has one commissioned asset included in this asset class for which it received a capital grant of \$16.9 million in past. Another non-commissioned asset currently classified as *Capital Work in Progress* will be classified into this category upon completion. A total grant amount of \$14.7 million is expected to be received from the government as the construction on this asset progresses. Of the \$14.7 million, \$1.0 million was received in 2014.

18.1 Security

At 30 June 2014, Land and buildings with a carrying amount of \$54.1 million; (2013: \$58.5 million) are subject to a mortgage to secure bank loans.

19. Intangible assets

Cost	Computer Software	Total
<i>In thousands of AUD</i>		
Balance at 1 July 2012	16,795	16,795
Acquisitions	1,920	1,920
Balance at 30 June 2013	18,715	18,715
Balance at 1 July 2013	18,715	18,715
Acquisitions	1,964	1,964
Balance at 30 June 2014	20,679	20,679
Amortisation		
Balance at 1 July 2012	7,072	7,072
Amortisation for the year	2,699	2,699
Balance at 30 June 2013	9,771	9,771
Balance at 1 July 2013	9,771	9,771
Amortisation for the year	2,717	2,717
Balance at 30 June 2014	12,488	12,488
Carrying amounts		
At 1 July 2012	9,723	9,723
At 30 June 2013	8,944	8,944
At 1 July 2013	8,944	8,944
At 30 June 2014	8,191	8,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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19. Intangible assets (continued)

Bed licence

The Company 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 Company, The Directors have determined their fair value in use to be nil.

20. Trade and other payables

In thousands of AUD

Current

Trade payables

Other payables and accrued expenses

2014	2013
15,364	14,526
15,302	18,455
30,666	32,981
5,156	5,002

Non current

Other payables and accrued expenses

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 5.

Non-current other payables include lease incentive liability and a provision for site restoration costs in relation to the lease on the Mission Australia National Office at 580 George Street, Sydney NSW 2000.

21. 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 5.

In thousands of AUD

Current liabilities

John Barnes Foundation

Bank loans

2014	2013
112	103
5,100	-
5,212	103

Non-current liabilities

John Barnes Foundation

Bank loans

724	836
16,500	33,600
17,224	34,436

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

21. Loans and borrowings (continued)

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2014		30 June 2013	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	5.5%	2014	-	-	12,000	12,000
Secured bank loan	AUD	4.5%	2016	5,100	5,100	5,100	5,100
Secured bank loan	AUD	5.4%	2018	16,500	16,500	16,500	16,500
Unsecured loan	AUD	8.4%	2020	836	836	939	939
Total interest-bearing liabilities				22,436	22,436	34,539	34,539

The Company has a \$21.0 million (2013: \$19.0 million) revolving cash advance and overdraft facility with its bankers. As at 30 June 2014, this facility remained unutilised (2013: \$12.0 million was utilised from the \$19.0 million available at 30 June 2013).

The secured bank loans are secured over land and buildings and investment properties with carrying amount of \$103.0 million (2013: \$104.1 million).

22. Assets held for sale and related liability

In June 2014, the Group, through Mission Australia Housing (Victoria), classified one of its assets as held-for-sale.

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They are classified as current assets in *Statement of Financial Position* as they are expected to be sold in next 12 months.

Mission Australia Housing (Victoria) had signed a contract of sale in June 2014 to sell this asset. The asset was a residential property that was being used by Mission Australia Housing (Victoria) to provide affordable housing in Victoria. It was valued at \$8.9 million at 30 June 2014 in *Statement of Financial Position* with a fair value loss of \$1.8 million recognised in the *Statement of Profit and Loss and Other Comprehensive Income*. The sale was completed in August 2014.

22.1 Assets held for sale and related liabilities

Table below shows the assets held for sale and directly related liabilities at 30 June 2014.

<i>In thousands of AUD</i>	2014
Investment property	8,900
Asset held for sale	8,900
Trade and other payables	94
Loans and borrowing	5,100
Liabilities held for sale	5,194

Mission Australia Housing (Victoria) had a \$5.1 million bank loan secured by the asset held for sale. The loan was paid in full in August 2014 upon settlement.

22.2 Cumulative income or expense included in Other Comprehensive Income

There are no cumulative incomes or expenses included in Other Comprehensive Income relating to the disposal group.

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23. Employee benefits

In thousands of AUD

Current

Liability for long service leave

Liability for annual leave

Non-current

Liability for long service leave

	2014	2013
	4,004	3,429
	11,618	11,843
	15,622	15,272
	4,100	3,690

24. Deferred income

Deferred income for the Group of \$22.1 million; (2013: \$26.3 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. The major grants are from the Department of Employment in relation to Employment contracts. Deferred income is amortised over the period to which the advance relates.

25. Capital and reserves

25.1 Asset revaluation reserve

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

25.2 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.

25.3 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.

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25. Capital and reserves (continued)

25.4 Restricted accumulated surplus

The Group has restricted accumulated surplus of \$146.9 million; (2013: \$133.7 million) in the current financial year. This consists of the following transactions/balances:

In thousands of AUD

	2014	2013
Opening balance	133,657	131,993
Fair value of properties received under NBESP	3,833	-
Share of income recognised from Goodstart	6,273	1,014
Surplus of housing entities recognised as restricted	3,135	650
	146,898	133,657

The Group has recognised additional restricted accumulated surplus of \$13.2 million (2013: \$1.7 million) in the current financial year.

26. Operating lease

26.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

	2014	2013
Less than one year	23,965	24,363
Between one and five years	25,477	38,173
More than five years	6,267	8,597
	55,709	71,133

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 2014, the Group recognised \$27.7 million (2013: \$28.7 million) as an expense in the income statement in respect of operating leases.

26.2 Leases as lessor

The Group leases out its investment property (see Note 16). The future minimum lease receipts under non-cancellable leases are as follows:

In thousands of AUD

	2014	2013
Less than one year	237	2,247
Between one and five years	-	-
More than five years	-	-
	237	2,247

During the year, \$16.2 million was recognised as rental income in profit and loss (2013: \$12.8 million).

26.3 Finance leases

The Group does not have any finance lease arrangement at 30 June 2014.

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26. Operating lease (continued)

26.4 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to facilitate this obligation, Mission Australia Housing sets aside cash resources. Refer to Note 13 *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.

27. 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. Initial \$1.0 million in Grant income was received in 2014.

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.

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. Related parties

29.1 Key Management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 11) is as follows:

<i>In AUD</i>	2014	2013
Short-term employee benefits	2,971,137	2,121,500
Other long-term benefits	15,280	33,948
Post-employment benefits	259,934	200,102
Termination benefits	79,111	191,734
	3,325,462	2,547,284

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.

29.2 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 stepped down as Chairman of Allens in December 2012 and resigned as a partner of the firm on 31st Jan 2013. He remains a consultant to the firm. 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.

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29. Related parties (continued)

29.3 Other related party transactions

The following transactions between Mission Australia and its controlled entities occurred during the year:

<i>In AUD</i>	2014	2013
Distribution received from:		
- Sir David Martin Foundation	2,307,075	2,236,678
	2,307,075	2,236,678
Interest paid to:		
- Sir David Martin Foundation	403,000	386,000
	403,000	386,000
Interest receivable from:		
- Mission Australia Housing	78,610	70,560
- Mission Australia Housing (Victoria)	291,248	235,530
	369,858	306,090

Mission Australia provided administrative facilities and support on commercial term to Mission Australia Capital Fund Pty Ltd, Sir David Martin Foundation, Mission Australia Foundation, Many Rivers Microfinance Limited, Mission Australia Housing, Mission Australia Housing (Victoria) and Mission Australia Early Learning.

30. Group entities

	Country of incorporation	2014	2013
		%	%
Mission Australia	Australia	Parent	Parent
Subsidiaries			
Sir David Martin Foundation	Australia	100	100
Mission Australia Foundation	Australia	100	100
Mission Australia Capital Fund Pty Ltd	Australia	100	100
Mission Australia Housing	Australia	100	100
Mission Australia Housing (Victoria)	Australia	100	100
Many Rivers Microfinance Limited	Australia	100	100
Mission International Limited	Australia	100	100
Mission Australia Early Learning	Australia	100	100

The above entities have been classified as controlled entities because of Mission Australia's capacity to control these entities. Mission Australia Housing and Mission Australia Housing (Victoria) have restrictions on the distribution of dividends and capital to the Company.

31. Subsequent events

Between 30 June 2014 and the date of issue of the financial statements, the Group, through Mission Australia Housing received capital grants representing the vesting of approximately 561 dwellings from Housing NSW under the Tranche 2 of Nation Building Economic Stimulus Plan (NBESP) scheme. Housing NSW is currently seeking changes to the contractual commitments relating to the vesting of assets under the NBESP scheme, which Mission Australia Housing is currently negotiating.

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31. Subsequent events (continued)

Mission Australia Housing has also received communication from Housing NSW in regards to its successful application towards vesting of another property in Camperdown, NSW. The application is currently awaiting the final approval of the Governor in Executive Council prior to vesting.

In 2015 financial year, this will have a significant impact in the Group's balance sheet equivalent to the fair value of properties received. The same amount will be recognised in its income statement as capital grant income.

Mission Australia Housing (Victoria) signed a contract for sale in June 2014 for its Investment Property in Seddon, Victoria. As a result, the fair value of property and related balances within Mission Australia Housing (Victoria) are classified as Held-for-sale in the Group's balance sheet at 30 June 2014. Settlement in respect of the sale of this property was finalised in August 2014. Mission Australia Housing (Victoria) used the proceeds from the sale to pay the bank loan in full (\$5.1 million).

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 Company, 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.

There have been no other events subsequent to the balance date which would have a material effect on the Group's financial statements at 30 June 2014.

32. Auditors' remuneration

In AUD

Audit and review services

Auditors of the Company

KPMG

Audit and review of financial statements

	2014	2013
	246,480	239,300
	246,480	239,300
	48,192	83,717
	48,192	83,717

Other Services

Auditors of the Company

KPMG also provided audit services for approximately 250 (2013: 255) projects that require an audited acquittal statement by the funding bodies. The cost of the acquittal audit services provided by KPMG in 2014 was \$227,500 (2013: \$224,400). These costs were acquitted to the individual projects.

33. 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.

34. Reclassification of comparative figures

Comparative figures disclosed in the following notes have been reclassified. The reclassification and disclosure complies with all applicable recognition, measurement and disclosure requirements of the AASBs.

Note 6 *Operating Segments*

Note 18 *Property, Plant and Equipment*

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35. 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

Results of fundraising appeals

	2014	2013
(a) Gross proceeds from fundraising appeals	21,742	25,475
Less: direct costs of fundraising appeals	(4,671)	(4,889)
Net surplus obtained from fundraising appeals	17,071	20,586
(b) Application of net surplus obtained from fundraising appeals		
Community services expenditure	165,661	168,750
(c) The shortfall between the surplus available from fundraising appeals conducted and total community services expenditure was provided from the following sources:		
Government grants and fees	138,250	123,567
Other income	10,340	24,597
(d) Comparisons of certain monetary figures and percentages		
Total costs of fundraising/	4,671	4,889
Gross income from fundraising	21,742	25,475
	21.48%	19.19%
Net surplus from fundraising/	17,071	20,586
Gross income from fundraising	21,742	25,475
	78.52%	80.81%
Total costs of services/	165,661	168,750
Total expenditure	340,686	332,803
	48.63%	50.71%
Total costs of services/	165,661	168,750
Total operating income received	354,169	324,698
	46.77%	51.97%

Gross proceeds from fundraising appeals for 2014 exclude bequests of \$3.3 million (2013: \$2.6 million).

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36. Parent entity disclosures

36.1 Condensed statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

In thousands of AUD

	2014	2013
Revenue and other income	281,525	266,927
Expenditure	(278,957)	(275,097)
Results from operating activities	2,568	(8,170)
Finance income	2,984	4,140
Finance costs	(1,160)	(1,014)
Net finance income	1,824	3,126
Net surplus / (deficit) for the year	4,392	(5,044)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	(1,689)	(40)
Other comprehensive income / (loss) for the year	2,703	(5,084)
Total comprehensive income / (loss) for the year	2,703	(5,084)

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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36. Parent entity disclosures (continued)

36.2 Statement of financial position

As at 30 June 2014

In thousands of AUD

	2014	2013
Assets		
Cash and cash equivalents	3,626	22,030
Trade and other receivables	15,791	15,754
Investments	15,988	14,382
Prepayments	4,516	3,627
Other assets	7	10
Total current assets	39,928	55,803
Trade and other receivables	18,165	15,447
Investment in Associates	6,000	6,000
Investment property	1,880	2,350
Property, plant and equipment	85,180	87,658
Intangible assets	6,973	7,566
Total non-current assets	118,198	119,021
Total assets	158,126	174,824
Liabilities		
Trade and other payables	28,559	31,828
Loans and borrowings	8,327	8,071
Employee benefits	13,559	13,448
Deferred income	19,159	23,965
Total current liabilities	69,604	77,312
Other payables	3,779	3,658
Loans and borrowings	724	12,836
Employee benefits	3,385	3,087
Total non-current liabilities	7,888	19,581
Total liabilities	77,492	96,893
Net assets	80,634	77,931
Equity		
Asset revaluation reserves	19,520	21,209
Accumulated surplus	61,114	56,722
Total equity	80,634	77,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

36. Parent entity disclosures (continued)

36.3 Statement of changes in equity

For the year ended 30 June 2014

In thousands of AUD

	Asset Revaluation Reserve	Accumulated Surplus	Total Equity
Balance at 1 July 2012	22,118	61,217	83,335
Adjustment to accumulated surplus 2011-12	-	(320)	(320)
Total comprehensive (loss) / income for the year			
Deficit	-	(5,044)	(5,044)
Transfer (from) / to accumulated surplus	(869)	869	-
Other comprehensive (loss) / income			
Revaluation decrement	(40)	-	(40)
Total other comprehensive loss	(40)	-	(40)
Total comprehensive loss for the year	(909)	(4,175)	(5,084)
Balance at 30 June 2013	21,209	56,722	77,931
Balance at 1 July 2013	21,209	56,722	77,931
Adjustment to accumulated surplus 2012-13	-	-	-
Total comprehensive income / (loss) for the year			
Surplus	-	4,392	4,392
Transfer (to) / from reserves	-	-	-
Transfer (from) / to accumulated surplus	-	-	-
Other comprehensive income / (loss)			
Revaluation increment	(1,689)	-	(1,689)
Total other comprehensive income	(1,689)	-	(1,689)
Total comprehensive income for the year	(1,689)	4,392	2,703
Balance at 30 June 2014	19,520	61,114	80,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

36. Parent entity disclosures (continued)

36.4 Condensed statement of cash flows

For the year ended 30 June 2014

In thousands of AUD

	2014	2013
Net cash (used in) / from operating activities	(753)	4,387
Net cash (used in) / from investing activities	(8,505)	(9,284)
Net cash (used in) / from financing activities	(9,146)	9,201
Net (decrease) / increase in cash and cash equivalents	(18,404)	4,304
Cash and cash equivalents at 1 July	22,030	17,726
Cash and cash equivalents at 30 June	3,626	22,030

36.5 Reconciliation of cash flow from operating activities

In thousands of AUD

	2014	2013
Cash flows from operating activities		
Surplus / (Deficit) for the year	4,392	(5,044)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4,842	4,277
Amortisation of intangible assets	2,352	2,358
Dividend received	(2,423)	(2,359)
Change in fair value of investment property	70	245
Unrealised gain on other investments	(1,711)	(2,790)
Provision against loans receivables from subsidiaries	863	2,727
Loss on sale of property, plant and equipment	(220)	(321)
Interest receivable	(381)	(382)
Cash from operations before changes in working capital and provisions	7,784	(1,289)
Change in trade and other receivables	15	4,994
Change in prepayments	(889)	(1,275)
Change in trade and other payables	(3,269)	102
Change in employee benefits	409	284
Other assets	3	(1)
Change in deferred income	(4,806)	1,572
Cash generated from operations	(753)	4,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

36. Parent entity disclosures (continued)

36.6 Loans and Borrowings

In thousands of AUD

Current liabilities

John Barnes Foundation
Sir David Martin Foundation

2014	2013
112	103
8,215	7,968
8,327	8,071

Non-current liabilities

John Barnes Foundation
Bank loans

724	836
-	12,000
724	12,836

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2014		30 June 2013	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	5.5%	2014	-	-	12,000	12,000
Unsecured loan	AUD	8.4%	2020	836	836	939	939
Loan from associates	AUD	5.0%	NA	8,215	8,215	7,968	7,968
Total interest-bearing liabilities				9,051	9,051	20,907	20,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2014 ANNUAL FINANCIAL REPORT

36. Parent entity disclosures (continued)

36.7 Trade and other receivables

In thousands of AUD

Current

Trade receivables

Other receivables

Loans to related parties

Non Current

Subordinated notes in Goodstart Early Learning

Other non-current receivables

Loans to related parties

- Mission Australia Housing

- Mission Australia Housing (Victoria)

2014	2013
15,364	15,521
63	42
364	191
15,791	15,754
6,731	6,731
7,238	5,657
4,196	3,059
18,165	15,447
33,956	31,201

DIRECTORS' DECLARATION

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2014 ANNUAL FINANCIAL REPORT

Directors' Declaration

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

- a) the consolidated financial statements and notes set out on pages 17 to 73 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 2014 and of their 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 2.1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

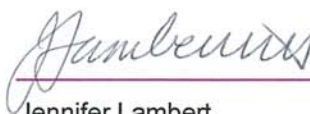
Signed in accordance with a resolution of the Directors:

Dated at Melbourne, 27 October 2014.



Ewen G W Crouch AM

President and Chairman



Jennifer Lambert

Chair, Board Audit and Risk Committee

Chairman's Declaration

Declaration to be furnished under the *Charitable Fundraising Act 1991*. 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*.

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*, 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 Group are appropriate and effective in accounting for all income received and applied by Mission Australia from any of its fundraising appeals.

Dated at Melbourne, 27 October 2014.



Ewen G W Crouch AM

President and Chairman

Independent auditor's report to the members of Mission Australia

Report on the financial report

We have audited the accompanying financial report of Mission Australia (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and 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 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising 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 Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* (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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of 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 Company 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 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 2014 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 the Mission Australia financial result of fundraising appeal activities for the financial year ended 30 June 2014;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2013 to 30 June 2014, 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 2013 to 30 June 2014 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 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 Company for the year ended 30 June 2014, by the Company 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 2014, 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

Anthony Travers
Partner

Sydney

27 October 2014