MISSION AUSTRALIA

(ABN 15 000 002 522)

AND

ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2013

Contents

The Directors present their report together with the consolidated financial statements of the Group comprising of 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 2013 and the auditor's report thereon.

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 GW Crouch, AM BEc (Hons), LLB FAICD **President and Chairman** **Independent Non-Executive Director**	Appointed President and Chairman of the Mission Australia Board in November 2009 and a Director since 1995. Ewen is a consultant at Allens, having stepped down as Chairman in late December 2012 and retired as a Partner of the firm on 31 January 2013. Ewen was appointed as a Director of Westpac Banking Corporation in February 2013 and Bluescope Steel in March 2013. He is a member of the AICD's Law & Curriculum Portfolio Committees, a member of the Takeovers Panel, and a Non-Executive Director of Sydney Symphony Orchestra. In the Australia Day 2013 Honours List, Ewen was the recipient of a Member of the Order of Australia.
Mr Martin G Watkins, BEc (Hons), CA, MIPC **Vice President** **Independent Non-Executive Director**	Appointed Vice President in 201 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.
Ms Jennifer Lambert, BBus, MEc, CA, GAICD **Independent Non-Executive Director**	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.
Mr Stephen E Anson **Independent Non-Executive Director**	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.
Mr Nicholas S Barnett, BEc, CA, FAICD **Independent Non-Executive Director**	Appointed as a Director in 2008, Nicholas is Chief Executive Officer of Insync Surveys Pty Ltd, Chairman of Ansvar Insurance Ltd and a former partner of KPMG. Nicholas is a former Chairman of First Samuel and Ambit Group and co-founder of Board Benchmarking and Gender Worx. He is based in Melbourne.
Dr Karin N Sowada, PhD, BA (Hons) **Independent Non-Executive Director**	Appointed as a Director in 2008, Karin is Chief Executive Officer of the Anglican Deaconess Ministries Limited.
Mr Grant A Dempsey B Comm **Independent Non-Executive Director**	Appointed as a Director in February 2010, Grant is Managing Director and Head of Investment Banking at JP Morgan and is based in Melbourne.
Ms Evelyn Horton, BEc, MSocSc (Econs) GAICD **Independent Non-Executive Director**	Appointed as a Director in November 2011, Evelyn is an economist with 30 years' experience in banking and government. She is a Non-Executive Director of Mission Australia Housing and Mission Australia Housing (Victoria) and of the Tasmanian Public Finance Corporation.
The Hon. Dean Brown AO, M.Rur.Sc, Grad.Dipl. Bus Admin, FAICD **Independent Non-Executive Director**	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.
Prof Donald W Robertson, BA (Crim), MA (Ed), Dip Env Studies **Independent Non-Executive Director**	Appointed as a Director in 1992, Donald was formerly an Associate Professor and Director at the University of Western Sydney, and is now a crime prevention consultant. Donald retired from the Board in November 2012.

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		Nomination, Remuneration and Succession Committee Meetings	
		A	B	A	B	A	B
Mr Ewen G W Crouch		6	6	4*	4*	2	2
Mr Martin G Watkins		6	6	4	4	-	-
Ms Jennifer Lambert		5	6	-	-	2	2
Mr Stephen E Anson		6	6	4	4	-	-
Mr Nicholas S Barnett		4	6	1	4	-	-
Dr Karin N Sowada		6	6	-	-	-	-
Mr Grant A Dempsey		5	6	-	-	2	2
Ms Evelyn Horton		6	6	4	4	-	-
The Hon. Dean Brown		3	4	-	-	-	-
Prof Donald W Robertson**		2	2	-	-	1	1
A – Number of meetings attended							
B – Number of meetings held during the time the Director held office during the year							
* – Attends by invitation							
** – Retired in November 2012							

4. Corporate governance

Mission Australia is a not-for-profit non-listed company limited by guarantee with no tradeable securities. The Board endorses the Corporate Governance Principles and Recommendations established by the Australian Stock Exchange (ASX) Corporate Governance Council. As Mission Australia is committed to good corporate governance, it adopts these principles even though it has no obligation 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, compliance, 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 Commitments Policy sets out the principles that determine matters reserved for the Board and what is delegated to management. A comprehensive 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.

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 six and no more than 12 Directors. There were 9 Directors at 30 June 2013. The Board 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.

A 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 Director's 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.

The Board Nomination, Remuneration and Succession Committee set performance criteria for the Chief Executive Officer and annually assess 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 was reviewed and updated during the year.

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 interest. Conflicts of interest and conduct are specifically mentioned in the Board Corporate Governance Charter. A separate, more detailed Conflict of Interest Policy was updated and issued during the year. Essentially, anyone with a potential conflict of interest is required 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 was created during the year setting out ethical expectations for people who work for Mission Australia and for those working with the entity. Mission Australia has an established Whistle-blower Policy that was reviewed and reissued during the year. An internal ombudsman-type function, which is independent of operational activity, exists to receive, inquire and investigate all reports of unethical practices and wrongdoing. Support and protection for speaking up about wrongdoing is available to staff, volunteers, contractors, suppliers and clients. An Integrity Hotline receives reports of possible wrongdoing. Details of this are displayed at missionaustralia.com.au. A Fraud Control and Corruption Prevention policy was issued during the year to update fraud and dishonesty prevention systems and procedures.

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. Committee members during the year were:

- Mr M G Watkins (Chair)
- Mr N S Barnett

4. Corporate governance (continued)

4.5 Safeguarding integrity in financial reporting (continued)

- Ms E Horton
- Mr S E Anson
- Mr G 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.

4.6 Timely and balanced disclosure

Mission Australia is not subject to the ASX Listing Rule disclosure requirements, but adopts these principles to report to members and stakeholders. Mission Australia has media policies, and vetting and authorisation processes designed to ensure effective communication with all stakeholders and members:

- are made in a timely manner and are factual;
- do not omit material information whether positive or negative; and
- are expressed in a clear and objective manner.

4.7 Respecting rights of members

Mission Australia does not have shareholders but does have members. A communication policy advocates providing open, regular and timely information to stakeholders 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.

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 and achievements and remaining abreast of industry developments that affect us.

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 OH&S 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.

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. Oversight of all risks was provided by the Executive Committee at its fortnightly meetings.

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 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.

Regulatory and contractual compliance risk is overseen by a dedicated team within the Engagement area. Legal risk is overseen by the General Counsel. Operational health and safety risk is overseen by a dedicated team of experts within Human Resources. Financial risk is overseen and managed by the team reporting to the Chief Financial Officer.

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 to the Chief Financial Officer of Mission Australia, and also to the Board Audit and Risk Committee.

During the year, the Board established a risk and incident escalation process for enterprise wide implementation in the next financial year. This process provides guidelines for management to evaluate which matters will be escalated to the Board. The process of identification, management and escalation of risks by business managers is backed up by monthly attestations.

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. Energy and water saving initiatives and recycling mechanisms are in use and environmentally sustainable practices are continually under review. 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. Reimbursement is made to Directors for reasonable expenses directly related to Board activities such as travel, accommodation and meals. The Board has established a 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 E G W Crouch (Chair)
- Ms J Lambert
- Mr G A Dempsey
- Prof D W Robertson (Until November 2012)

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

4.10 Diversity

As of 30 June 2013, women made up 77.9 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 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:

- 72 per cent of the workforce in the area of middle management;
- 46 per cent of senior management; and
- 20 per cent of executive leaders.

A third of our Board members are female.

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 words and actions. 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 Company relates directly to Mission Australia, whereas reference to the Group relates to the consolidated results of Mission Australia, Mission Australia Housing Limited, Mission Australia Housing (Victoria) Limited, Mission Australia Early Learning Services Limited, Mission International Limited, Many Rivers Microfinance Limited, Sir David Martin Foundation and Mission Australia Foundation.

6.2 Operating results

The Group reported an underlying deficit of $3.6 million (2012: $12.4 million surplus). Net deficit for the year was $8.1 million (2012: $19.3 million surplus).

6.3 Review of operations

In thousands of AUD	Note	2013	2012
Revenue		323,525	327,505
Expenditure		(327,170)	(315,079)
Underlying (deficit) / surplus		**(3,645)**	**12,426**
Share of (loss) / profit of equity accounted investees	15	(3,072)	8,010
Net finance income / (expense)	12	1,898	(223)
Restructure cost		(3,286)	(3,673)
Revenue from housing grants - restricted	7	-	2,720
Net (deficit) / surplus for the year		**(8,105)**	**19,260**

The current year operational performance was impacted by difficult economic conditions and lower levels of income from certain government contracts. In particular the performance of employment activities and corporate fundraising were adversely affected. Significant impacts on result included:

- A deterioration of $11.4 million in the financial performance of Employment related activities from an $8.4 million surplus in 2012 to a deficit of $2.9 million in 2013. This resulted from revenue reducing from $122.8 million in 2012 to $91.1 million in current financial year due to loss of a material apprenticeship contract and more onerous compliance requirements and challenging market conditions;
- Income from fundraising reduced by $5.9 million from $33.9 million in 2012 to $28.1 million in the current financial year in line with reduction generally in Corporate philanthropy;
- A $3.3 million expense was recognised for restructuring activities. This expense resulted from the Group reviewing its service delivery model and organisational structure in response to economic challenges and in order to better integrate services for clients. The Group is likely to incur some more restructuring related expenses in 2014 as result of finalising the new structure;
- Share of loss recognised for equity accounted associates of $3.1 million as compared to $8.0 million profit recognised in 2012. This was primarily because of the share of loss from Working Links recorded at $4.1 million arising from restructuring of that business in the UK as a result of new government contracts and decrease in share of profit from Goodstart from $2.4 million in 2012 to $1.0 million in 2013; and

6. Operating and financial review (continued)

6.3 Review of operations (continued)

- Fair value loss of $2.2 million recognised in the current financial year on Investment Properties as compared to a gain of $0.2 million in 2012 as a result of updated external independent valuations.

Other key highlights of the year were:

- The year-end cash balance improved to $27.1 million compared to $19.8 million at the end of the 2012 financial year. This improvement resulted from substantially higher levels of cash in advance at the end of June 2013 and $12.0 million drawn from the cash advance facility;
- Given the more challenging financial position and on-going organisational re-structure, the Group engaged in regular and pro-active consultation with its bankers to allow for transparent performance reporting and shared understanding of impacts on cash-flow and debt requirements. This process allowed the Group to work closely with its bankers to secure strong and continued support through this period of structural change. As a result of these discussion revisions have been made to the parent company facility agreement with its bankers reflecting their ongoing support for the organisation;
- The Group also refinanced external borrowings of $21.6 million in its housing entities in 2013. The timing of the refinance allowed the Group to take advantage of lower interest rates and it entered into interest rate swap agreements with financiers for the term of the loans. Of the $21.6 million, $16.5 million is borrowed on a 5 year term with the balance on a 3 year term, which provides long term cash flow certainty to the Group.

Non-IFRS (International Financial Reporting Standard) financial measures

Given the significance of the non-cash income/expense generated by the share of profit/loss from associates and one off restructuring costs, the Directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the underlying performance of the business. The above non-IFRS measures have not been subject to audit or review.

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

From 1 July 2013, Mission Australia Housing Limited and Mission Australia Housing (Victoria) Limited changed their name to Mission Australia Housing and Mission Australia (Victoria) respectively.

From 14 Oct 2013, Mission Australia Early Learning Services Limited changed its name to Mission Australia Early Learning.

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

The Group, through its subsidiary, Mission Australia Housing Limited, entered into a *Sale and Development Agreement* with Housing Tasmania in 2013. Under this Agreement, the Group received vacant blocks of land from Housing Tasmania for nil consideration, provided certain development targets were met. The targets involve either selling the lots for residential development or, developing the lots with affordable homes. These homes could then be sold or retained by the Group as rental units. Further, under this agreement, the Group is required to create and retain ownership of at least forty new rental units, twenty social and twenty affordable units by 2018.

To meet the obligations contained in the *Sale and Development Agreement*, it is anticipated that the Group will engage in some type of real estate development and sales activity which may involve the use of sub-contractors. Any proceeds from these activities are required to be redirected into the community or social housing portfolio of Housing Tasmania located in Clarendon Vale and Rokeby north of Hobart.

Mission Australia Housing Limited may also receive a capital grant of approximately 561 dwellings from Housing NSW as second instalment under NBESP scheme. If received in 2014, this capital grant would have a significant impact as a result of recognising assets in its balance sheet equivalent to the fair value of properties received. The same amount will be recognised in the Group's income statement as capital grant income. This transfer is a one-off item and the Group does not anticipate receiving such stock transfers on a regular basis.

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

9. Directors' interests

The Directors had no 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.

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10. Indemnification and insurance of officers and Directors (continued)

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:

	Consolidated	
In AUD	**2013**	**2012**
Audit services:		
Audit and review of financial reports	**239,300**	**221,300**
Services other than statutory audit:		
Other services		
Other assurance services	83,717	-
	83,717	**-**

KPMG also provided audit services for approximately 255 (2012: 197) projects that require an audited acquittal statement by the funding bodies. The costs of the acquittal audit services provided by KPMG in 2013 were $224,400 (2012: $157,300). These costs were acquitted to the individual projects.

12. Performance measurements

The Group monitors its performance against the 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 2013.

14. Disclosures for parent

The Company is of a kind referred to in *ASIC Class Order 10/654* dated 26 July 2010, and in accordance with that Class Order, the Board of Directors has decided to include the parent entity financial statements in this set of consolidated financial statements prepared in accordance with Chapter 2M of the *Corporation Act 2001*. As a result, summarised parent entity information otherwise required by regulation is not presented in this set of Group's consolidated financial statements.

15. Registered office

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

16. Bankers

Westpac Banking Corporation is the primary banker of Mission Australia and its controlled entities.

17. 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.

18. 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.

19. 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.

20. Notice of meeting

The Annual General Meeting of Mission Australia will be held on 27 November 2013 at Level 6, 580 George Street, Sydney, New South Wales, where this report will be presented.

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

Martin G Watkins
Vice President and Acting Chairman

Sydney, 25 October 2013

Jennifer Lambert
Director

Sydney, 25 October 2013

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 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

25 October 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For the year ended 30 June 2013

		Consolidated		Company	
In thousands of AUD	**Note**	**2013**	**2012**	**2013**	**2012**
Revenue from rendering services	8	268,403	264,538	220,151	238,552
Revenue from housing grants - restricted	7	-	2,720	-	-
Income from fundraising	34	28,088	33,945	24,311	27,205
Income from rental		15,458	12,345	3,603	3,070
Income from sale of goods		6,455	5,703	6,455	5,703
Distributions received from controlled entities		-	-	2,237	2,357
Gain on sale of property plant and equipment		-	33	-	-
Other income	9	5,121	10,941	10,170	13,726
Total revenue for the year		**323,525**	**330,225**	**266,927**	**290,613**
Personnel expenses	11	(218,247)	(207,413)	(178,767)	(185,718)
Occupancy and accommodation expenses		(33,943)	(31,156)	(23,336)	(22,646)
Transport and equipment hire expenses		(13,781)	(16,371)	(12,997)	(15,661)
Communication expenses		(12,173)	(15,083)	(11,093)	(14,045)
Client expenses		(7,667)	(6,550)	(6,059)	(5,753)
Depreciation and amortisation expenses	18,19	(7,429)	(5,963)	(6,635)	(5,643)
Restructuring costs		(3,286)	(3,673)	(3,112)	(3,631)
Insurance expenses		(1,579)	(951)	(762)	(540)
Other expenses		(32,351)	(31,592)	(32,336)	(35,014)
Total expenses for the year		**(330,456)**	**(318,752)**	**(275,097)**	**(288,651)**
Results from operating activities		**(6,931)**	**11,473**	**(8,170)**	**1,962**
Finance income		4,245	1,529	4,140	6,741
Finance costs		(2,347)	(1,752)	(1,014)	(536)
Net finance income / (expense)	12	**1,898**	**(223)**	**3,126**	**6,205**
Share of (loss) / profit of equity accounted investees	15	(3,072)	8,010	-	-
Net (deficit) / surplus for the year		**(8,105)**	**19,260**	**(5,044)**	**8,167**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Revaluation of property, plant and equipment	18	(40)	5,178	(40)	5,178
Items that may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedges		73	(544)	-	-
Other comprehensive income for the period		**33**	**4,634**	**(40)**	**5,178**
Total comprehensive (loss) / income for the year		**(8,072)**	**23,894**	**(5,084)**	**13,345**
Net (deficit) / surplus attributable to:					
Members of the Company		(8,105)	19,260	(5,044)	8,167
(Deficit) / surplus for the year		**(8,105)**	**19,260**	**(5,044)**	**8,167**
Total comprehensive (loss) / income attributable to:					
Members of the Company		(8,072)	23,894	(5,084)	13,345
Comprehensive (loss) / income for the year		**(8,072)**	**23,894**	**(5,084)**	**13,345**

The notes on pages 22 to 72 are an integral part of these consolidated financial statements.

As at 30 June 2013

		Consolidated		Company	
In thousands of AUD	**Note**	**2013**	**2012**	**2013**	**2012**
Assets					
Cash and cash equivalents	13	27,057	19,755	22,030	17,726
Trade and other receivables	14	18,890	22,795	15,754	20,727
Investments	17	14,382	16,697	14,382	16,697
Prepayments		4,273	2,543	3,627	2,352
Other assets	10	10	9	10	9
Total current assets		**64,612**	**61,799**	**55,803**	**57,511**
Trade and other receivables	14	9,438	9,320	15,447	14,767
Investments in equity accounted investees	15	10,140	14,226	-	-
Investments in equity accounted investees - restricted	15	6,965	5,951	-	-
Investment in Associates	15	-	-	6,000	6,000
Investment property	16	19,951	19,815	2,350	2,595
Investment property - restricted	16	135,660	136,944	-	-
Property, plant and equipment	18	88,809	83,526	87,658	82,361
Intangible assets	19	8,944	9,723	7,566	8,250
Total non-current assets		**279,907**	**279,505**	**119,021**	**113,973**
Total assets		**344,519**	**341,304**	**174,824**	**171,484**
Liabilities					
Trade and other payables	20	32,981	32,400	31,828	31,726
Loans and borrowings	21	103	94	8,071	7,905
Employee benefits	22	15,272	13,710	13,448	12,869
Deferred income	23	26,299	23,893	23,965	22,393
Total current liabilities		**74,655**	**70,097**	**77,312**	**74,893**
Other payables	20	5,002	5,443	3,658	4,254
Loans and borrowings	21	34,436	27,227	12,836	5,940
Employee benefits	22	3,690	3,409	3,087	3,062
Total non-current liabilities		**43,128**	**36,079**	**19,581**	**13,256**
Total liabilities		**117,783**	**106,176**	**96,893**	**88,149**
Net assets		**226,736**	**235,128**	**77,931**	**83,335**
Equity					
Cash flow hedging reserves		(799)	(872)	-	-
Asset revaluation reserves		22,274	23,183	21,209	22,118
Accumulated surplus		72,214	80,784	56,722	61,217
Restricted accumulated surplus	24	133,047	132,033	-	-
Total equity		**226,736**	**235,128**	**77,931**	**83,335**

The notes on pages 22 to 72 are an integral part of these consolidated financial statements.

For the year ended 30 June 2013

In thousands of AUD	Note	Cash flow Hedge Reserve	Asset Revaluation Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Consolidated						
Balance at 1 July 2011		(328)	18,739	65,876	126,947	211,234
Total comprehensive income for the year						
Surplus		-	-	14,174	5,086	19,260
Transfer to / (from) accumulated surplus		-	(734)	734	-	-
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges		(544)	-	-	-	(544)
Revaluation increment	18	-	5,178	-	-	5,178
Total other comprehensive income		(544)	5,178	-	-	4,634
Total comprehensive income for the year		(544)	4,444	14,908	5,086	23,894
Balance at 30 June 2012		**(872)**	**23,183**	**80,784**	**132,033**	**235,128**
Balance at 1 July 2012		(872)	23,183	80,784	132,033	235,128
Adjustment to accumulated surplus 2011-12		-	-	(320)	-	(320)
Total comprehensive income for the year						
Surplus / (deficit)		-	-	(9,119)	1,014	(8,105)
Transfer to / (from) accumulated surplus		-	(869)	869	-	-
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges		73	-	-	-	73
Revaluation increment	18	-	(40)	-	-	(40)
Total other comprehensive income		73	(40)	-	-	33
Total comprehensive loss for the year		**73**	**(909)**	**(8,250)**	**1,014**	**(8,072)**
Balance at 30 June 2013		**(799)**	**22,274**	**72,214**	**133,047**	**226,736**

For the year ended 30 June 2013

In thousands of AUD	Note	Cash flow Hedge Reserve	Asset Revaluation Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Company						
Balance at 1 July 2011		-	17,674	52,316	-	69,990
Total comprehensive income for the year						
Surplus		-	-	8,167	-	8,167
Transfer to / (from) accumulated surplus		-	(734)	734	-	-
Other comprehensive income						
Revaluation increment	18	-	5,178	-	-	5,178
Total other comprehensive income		-	5,178	-	-	5,178
Total comprehensive income for the year		-	4,444	8,901	-	13,345
Balance at 30 June 2012		**-**	**22,118**	**61,217**	**-**	**83,335**
Balance at 1 July 2012		-	22,118	61,217	-	83,335
Adjustment to accumulated surplus 2011-12		-	-	(320)	-	(320)
Total comprehensive income for the year						
Deficit		-	-	(5,044)	-	(5,044)
Transfer to / (from) accumulated surplus		-	(869)	869	-	-
Other comprehensive income						
Revaluation increment	18	-	(40)	-	-	(40)
Total other comprehensive income		-	(40)	-	-	(40)
Total comprehensive loss for the year		**-**	**(909)**	**(4,175)**	**-**	**(5,084)**
Balance at 30 June 2013		**-**	**21,209**	**56,722**	**-**	**77,931**

The notes on pages 22 to 72 are an integral part of these consolidated financial statements.

For the year ended 30 June 2013

		Consolidated		Company	
In thousands of AUD	**Note**	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities					
Cash receipts from customers		364,572	355,585	298,500	317,508
Cash paid to suppliers and employees		(355,127)	(330,990)	(293,705)	(292,558)
Cash generated from operations		**9,445**	**24,595**	**4,795**	**24,950**
Interest received		968	382	1,151	285
Interest paid		(2,280)	(1,627)	(907)	(536)
External donations paid		(710)	(722)	(652)	(704)
Net cash from operating activities	13	**7,423**	**22,628**	**4,387**	**23,995**
Cash flows from investing activities					
Loans advanced to subsidiaries		-	-	(3,367)	(6,045)
Dividend received		123	227	123	227
Proceeds from sale of fixed assets		1,661	1,304	1,661	1,247
Payments for fixed assets and investment properties	16,18	(12,203)	(21,433)	(11,027)	(17,396)
Payments for intangibles	19	(1,920)	(5,346)	(1,674)	(3,783)
Dividends received from investments		-	5,309	-	5,309
Proceeds from sale of investment in shares		5,000	-	5,000	-
Net cash used in investing activities		**(7,339)**	**(19,939)**	**(9,284)**	**(20,441)**
Cash flows from financing activities					
Loans from subsidiaries		-	-	2,296	2,032
Proceeds from bank borrowings		7,313	8,200	7,000	5,000
Repayment of borrowings		(95)	(86)	(95)	(86)
Net cash from financing activities		**7,218**	**8,114**	**9,201**	**6,946**
Net increase in cash and cash equivalents		7,302	10,803	4,304	10,500
Cash and cash equivalents at 1 July		19,755	8,952	17,726	7,226
Cash and cash equivalents at 30 June	13	**27,057**	**19,755**	**22,030**	**17,726**

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 2013 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 *Corporations Act 2001*. 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 25 October 2013.

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.

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 16 - *Valuation of investment property; and*
- Note 18 - *Valuation of land and building.*

2. Basis of preparation (continued)

2.5 Changes in accounting policies

i. Presentation of transactions recognised in other comprehensive income

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australia Accounting Standards – Presentation of Items of Other Comprehensive Income*. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the *Statement of Profit or Loss and Other Comprehensive Income.*

2.6 Working capital

There is a net current asset deficiency in the Group and the Company as at 30 June 2013 of $10.0 million and $21.5 million respectively; (2012: $8.3 million and $17.4 million respectively). This is mainly due to deferred income of $26.3 million; (2012: $23.9 million) in the Group and $24.0 million; (2012: $22.4 million) in the Company, being recorded within current liabilities. 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 has remained at consistent levels. As at 30 June 2013, the Group also had an unutilised working capital facility of $3.0 million; (2012: $10.0 million). It is the opinion of the Directors that the Group and the Company 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.

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 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 entities 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 127 requires 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.

In the Company’s financial statements, investments in subsidiaries are carried at cost.

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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 (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences 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.

The Company's investments in associates are accounted for at cost.

iv. Transactions eliminated on consolidation

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. 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.

3.3 Financial instruments

i. Non-derivative financial assets

The Group initially recognises loans and 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 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.

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

i. Non-derivative financial assets (continued)

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. 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. Upon initial recognition attributable transactions costs are recognised in the profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the profit or loss.

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, held-to-maturity financial assets 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 equivalent

Cash and cash equivalents comprise 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 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.

ii. Non-derivative financial liabilities

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

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, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and 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 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 accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised assets or liabilities or a highly probably forecast transaction that could affect profit or loss, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or period during which the non-financial item affects profit or loss. In other case as well, the amount accumulated in equity in reclassified to profit or loss in same period that the hedged item affect profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expire 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.

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

i. Recognition and measurement (continued)

Freehold land and buildings 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 revaluation 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.

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.

When 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.

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 over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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 in equity. Any loss is recognised immediately in profit or loss.

3.5 Intangible assets

i. Goodwill

Goodwill that arises upon 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.

3. Significant accounting policies (continued)

3.5 Intangible assets(continued)

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, other than goodwill, 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. 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 license

Bed Licences are granted by the Department of Health and Ageing in perpetuity and their useful life is considered to be indefinite.

Purchased bed licences are recognised at their cost of acquisition on the acquisition date.

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.

3. Significant accounting policies (continued)

3.6 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, use 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 16) 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 entities, detailed disclosure is made within the notes to the financial statements. This includes any specific terms relating to the ownership of those assets.

3.7 Leased assets

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

Other leases are operating leases and, 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. Significant accounting policies (continued)

3.8 Impairment

i. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is 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 marked 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit (CGU)"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

3. Significant accounting policies (continued)

3.8 Impairment (continued)

ii. Non-financial assets (continued)

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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of 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.

iii. Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Significant accounting policies (continued)

3.9 Employee benefits (continued)

iii. Termination benefits (continued)

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 under short-term cash bonus or profit-sharing plans 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.

v. Revenue from housing grant

Revenue from housing grant 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.

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.

3. Significant accounting policies (continued)

3.14 Finance income and expense (continued)

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.

3.15 Income tax

The Mission Australia entities (with the exception of Mission Australia Capital Fund Pty Limited, Mployment Limited and Mission International UK) 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 Limited
- Mission Australia Housing (Victoria) Limited
- Many Rivers Microfinance Limited
- Mission Australia Early Learning Services Limited
- 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 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 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), head office expenses, and income tax assets and liabilities.

3.18 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 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set below. The Group does not plan to adopt these standards early.

3. Significant accounting policies (continued)

3.18 New Standards and interpretations not yet adopted (continued)

i. AASB 9 financial instruments (2010), AASB 9 financial instruments (2009)

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

AASB 9 (2010 and 2009) are effective for annual period beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group' financial liabilities.

ii. AASB 10 Consolidated financial statements, AASB 11 joint arrangements, AASB 12 disclosure of interest in other entities.

AASB 10 introduce a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investee, which may lead to change in the current accounting for these investees.

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have right to the assets and obligation for the liabilities, will be accounted for on the basis of Group's interest in those asset and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which parties have right to the net asset, will be equity accounted.

The Group may need to reclassify its joint arrangements, which may lead to change in current accounting for these interests.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interest in subsidiaries, interest in joint arrangements and associates and unconsolidated structured entities in comparison with existing disclosure. AASB 12 requires the disclosure of information about the nature, risk and financial effects of these interests.

These standards are effective for annual period beginning on or after 1 January 2013 with early adoption permitted.

iii. AASB 13 Fair value measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurement or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

iv. AASB 119 Employee benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefits plans, removal of the accounting policy choice for recognition of actuarial gain and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual period beginning on or after 1 January 2013 with early adoption permitted.

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 one-third of the Group's land & building portfolio at 30 June 2013 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 2013 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.

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 and Company 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 and Company'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.

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

The Group and Company 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 and other price risks, and ageing analysis.

5.3 Credit risk

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

i. Trade and other receivables

The Group's and Company'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.

5. Financial risk management (continued)

5.3 Credit risk (continued)

ii. Investments

The Group and Company 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 and Company has 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 and Company's policy is to provide financial guarantees only to wholly owned subsidiaries.

5.4 Liquidity risk

Liquidity risk is the risk that the Group and Company 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 and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company'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 $45.9 million 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 the prevailing rate of 6 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 on investments in liquid equities.

The Group incurs financial liabilities in order 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 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 meeting.

5. Financial risk management (continued)

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 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.

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:

		Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	**Note**	**2013**	**2012**	**2013**	**2012**
Trade and other receivables	14	28,328	32,115	31,201	35,494
Other investments	17	14,382	16,697	14,382	16,697
		42,710	**48,812**	**45,583**	**52,191**

5. Financial risk management (continued)

5.7 Exposure to credit risk (continued)

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

	Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Governments	16,663	20,302	12,156	16,474
Early learning	669	454	-	-
Other customers	4,265	4,746	3,407	4,078
Wholly owned subsidiaries	-	-	8,907	8,329
Other related parties	6,731	6,613	6,731	6,613
	28,328	**32,115**	**31,201**	**35,494**

i. Impairment losses

The ageing of the Group's and Company's current trade receivables at the reporting date is disclosed in the table below. Impairment loss recorded against Group's or Company's current trade receivable in this financial year was nil (2012: nil).

	Consolidated		Company	
	Gross	Gross	Gross	Gross
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Not past due	17,432	20,811	14,629	18,679
Past due 0-30 days	1,230	1,774	839	1,555
Past due 31-120 days	228	210	286	493
	18,890	**22,795**	**15,754**	**20,727**

Based on historic default rates and analysis over external sundry debtors at 30 June 2013, 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 receivable not impaired is as follow.

5. Financial risk management (continued)

5.7 Exposure to credit risk (continued)

i. Impairment losses (continued)

In thousands of AUD	Consolidated		Company	
	Gross	Gross	Gross	Gross
	2013	**2012**	**2013**	**2012**
Receivable from State and Federal goverments (low risk)	16,663	20,302	12,156	16,474
Receivable from related parties (low risk)	6,731	6,613	15,638	14,942
Other customers:				
- Four or More year trading history with the Group	1,742	3,003	1,323	2,982
- Less than four years of trading history with the Group	3,192	2,197	2,084	1,096
- Higher risk	-	-	-	-
	28,328	**32,115**	**31,201**	**35,494**

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired. All trade and other receivable 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.

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:

Consolidated	**Carrying**	**Contractual**	**6 months**	**6-12**	**More than**
2013	**amount**	**cash flows**	**or less**	**months**	**12 months**
In thousands of AUD					
Non-derivative 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**

	Carrying	**Contractual**	**6 months**	**6-12**	**More than**
2012	**amount**	**cash flows**	**or less**	**months**	**12 months**
In thousands of AUD					
Financial liabilities *					
Trade and other payables	32,400	32,400	32,083	-	317
Loans and borrowings	27,321	30,274	6,099	993	23,182
	59,721	**62,674**	**38,182**	**993**	**23,499**
Derivative financial liabilities					
Interest rate swap used for hedging	**872**	**872**	**-**	**-**	**872**

Company	**Carrying**	**Contractual**	**6 months**	**6-12**	**More than**
2013	**amount**	**cash flows**	**or less**	**months**	**12 months**
In thousands of AUD					
Financial liabilities *					
Trade and other payables	31,828	31,828	31,828	-	-
Loans and borrowings	12,939	13,830	6,341	3,255	4,234
	44,767	**45,658**	**38,169**	**3,255**	**4,234**

	Carrying	**Contractual**	**6 months**	**6-12**	**More than**
2012	**amount**	**cash flows**	**or less**	**months**	**12 months**
In thousands of AUD					
Financial liabilities *					
Trade and other payables	31,726	31,726	31,726	-	-
Loans and borrowings	6,034	6,531	5,195	89	1,247
	37,760	**38,257**	**36,921**	**89**	**1,247**

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

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.

Consolidated	**Carrying**	**Contractual**	**6 months**	**6-12**	**More than**
2013	**amount**	**cash flows**	**or less**	**months**	**12 months**
in thousands of AUD					
Interest rate swaps					
Liabilities	798	798	-	-	798
	Carrying	**Contractual**	**6 months**	**6-12**	**More than**
2012	**amount**	**cash flows**	**or less**	**months**	**12 months**
in thousands of AUD					
Interest rate swaps					
Liabilities	872	872	-	-	872

As the Company did not hold any derivative financial instruments designated in a hedging relationship in 2013 and 2012, no disclosures are made for the Company.

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.

Consolidated	**Carrying**	**Contractual**	**6 months**	**6-12**	**More than**
2013	**amount**	**cash flows**	**or less**	**months**	**12 months**
in thousands of AUD					
Interest rate swaps					
Liabilities	798	798	-	-	798
	Carrying	**Contractual**	**6 months**	**6-12**	**More than**
2012	**amount**	**cash flows**	**or less**	**months**	**12 months**
in thousands of AUD					
Interest rate swaps					
Liabilities	872	872	-	-	872

As the Company did not hold any derivative financial instruments designated in a hedging relationship in 2013 and 2012, no disclosures are made for the Company.

The gross inflows (outflows) disclosed in the previous table represent the contractual undisclosed 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 three secured bank loan which contains debt covenants. The breach of any covenant may require the Group to repay the loan earlier than indicated in the above table.

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 and Company's interest-bearing financial instruments was as follows:

2013	**Consolidated**	**Company**		**Interest rate range**	
In thousands of AUD	**Carrying amount**	**Carrying amount**	**Average**	**From**	**To**
	$	**$**	**%**	**%**	**%**
Fixed rate instruments					
Financial assets					
- Inter-company loans	-	8,716	8.0	8.0	8.0
Financial liabilities					
- Bank loans	(21,600)	-	6.3	6.3	6.3
- Borrowing from John Barnes Foundation	(939)	(939)	8.4	8.4	8.4
- Intercompany loans	-	(7,968)	5.0	5.0	5.0
	(22,539)	**(191)**			
Variable rate instruments					
Financial liabilities					
- Bank loans	(12,000)	(12,000)	5.5	5.5	5.5
	(12,000)	**(12,000)**			

2012	**Consolidated**	**Company**		**Interest rate range**	
In thousands of AUD	**Carrying amount**	**Carrying amount**	**Average**	**From**	**To**
	$	**$**	**%**	**%**	**%**
Fixed rate instruments					
Financial assets					
- Inter-company loans	-	8,154	8.0	8.0	8.0
Financial liabilities					
- Bank loans	(14,000)	**-**	9.3	9.3	9.3
- Borrowing from John Barnes Foundation	(1,034)	(1,034)	8.4	8.4	8.4
- Intercompany loans	-	(7,681)	5.0	5.0	5.0
	(15,034)	**(561)**			
Variable rate instruments					
Financial liabilities					
- Bank loans	(12,287)	(5,000)	7.0	7.0	7.0
	(12,287)	**(5,000)**			

5. Financial risk management (continued)

5.10 Interest rate risk (continued)

i. Sensitivity analysis

Fixed rate instruments

The Group and Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and Company does not designate derivative (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 $120,000; (2012: $123,000).

5.11 Other market price risk

The other investments in wholesale funds of $14.4 million; (2012: $16.7 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 $0.14 million; (2012: $0.16 million) in both Group and Company.

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. Financial risk management (continued)

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:

Consolidated	**Note**	**2013**		**2012**	
In thousands of AUD		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	13	27,057	27,057	19,755	19,755
Trade and other receivables	14	28,328	28,328	32,115	32,115
Investment securities	17	14,382	14,382	16,697	16,697
Trade and other payables	20	(37,983)	(37,983)	(37,843)	(37,843)
Loans and borrowings	21	(33,600)	(33,600)	(26,287)	(26,287)
Borrowing from John Barnes Foundation	21	(939)	(939)	(1,034)	(1,034)
Interest rate swap used for hedging		(798)	(798)	(872)	(872)
		(3,553)	**(3,553)**	**2,531**	**2,531**

Company	**Note**	**2013**		**2012**	
In thousands of AUD		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	13	22,030	22,030	17,726	17,726
Trade and other receivables	14	22,294	22,294	27,165	27,165
Related party loans receivable	14	8,907	8,907	8,329	8,329
Investment securities	17	14,382	14,382	16,697	16,697
Trade and other payables	20	(35,486)	(35,486)	(35,980)	(35,980)
Loans and borrowings	21	(12,000)	(12,000)	(5,000)	(5,000)
Borrowing from John Barnes Foundation	21	(939)	(939)	(1,034)	(1,034)
Related party loans payable	21	(7,968)	(7,968)	(7,811)	(7,811)
		11,220	**11,220**	**20,092**	**20,092**

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 instrument 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); and
- Level 3 – input for the asset or liability that is not based on observable market data (unobservable inputs).

In thousands of AUD	**Level 1**	**Level 2**	**Level 3**	**Total**
30-June-2013				
Investment securities	14,382	-	-	**14,382**
Interest rate swap used for hedging	-	(798)	-	**(798)**
	14,382	**(798)**	**-**	**13,584**

30-June-2012				
In thousands of AUD	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities	16,697	-	-	**16,697**
Interest rate swap used for hedging	-	(872)	-	**(872)**
	16,697	**(872)**	**-**	**15,825**

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		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 as 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.*

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6. Operating segments (continued)

Information about reportable segments

2013	*Employment Services*	*Community Services*	*Housing Services*	*Early learning*	*Fundraising*	*Other*	*Consolidated*
In thousands of AUD							
External revenues	91,088	142,326	15,436	41,508	23,386	9,781	323,525
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 surplus / (deficit)	**(2,946)**	**(2,326)**	**650**	**(4,281)**	**4,847**	**(4,049)**	**(8,105)**
Share of loss of equity method investees	-	-	-	-	-	(3,072)	(3,072)
Other material non-cash items:							
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)

2012	*Employment Services*	*Community Services*	*Housing Services*	*Early learning*	*Fundraising*	*Other*	*Consolidated*
In thousands of AUD							
External revenues	122,816	127,892	15,244	20,898	24,856	18,519	330,225
Inter-segment revenues	9,289	22,261	73	620	(7,970)	38,707	62,980
Interest income	-	44	14	-	-	1,187	1,245
Interest expense	-	-	(1,617)	-	-	(135)	(1,752)
Depreciation expense	(692)	(605)	(113)	(117)	-	(2,204)	(3,731)
Amortisation expense	-	(1,426)	(91)	-	-	(715)	(2,232)
Reportable segment surplus / (deficit)	**8,444**	**(9,081)**	**4,121**	**(5,134)**	**7,861**	**13,049**	**19,260**
Share of profit of equity method investees	-	-	-	-	-	8,010	8,010
Other material non-cash items:							
Fair value of properties received under NBESP*	-	-	2,720	-	-	-	2,720
Reportable segment assets	8,120	699	159,584	1,362	4	151,015	320,784
Investment in associates	-	-	-	-	-	20,177	20,177
Capital expenditure (Includes reclassification of finished WIP)	-	-	-	-	-	21,433	21,433
Reportable segment liabilities	(4,535)	(20,677)	(4,325)	(1,634)	(820)	(73,842)	(105,833)

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

6. Operating segments (continued)

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

In thousands of AUD	Consolidated	
Revenues	**2013**	**2012**
Total revenue for reportable segments	338,625	334,268
Other revenue	42,913	58,937
Elimination of inter-segment revenue	(58,013)	(62,980)
Consolidated revenue	323,525	330,225
Surplus or (Deficit)		
Total profit for reportable segments	(4,056)	4,801
Other (loss) / profit	(4,049)	14,459
Consolidated (deficit) / surplus	(8,105)	19,260
Assets		
Total assets for reportable segments	171,529	169,769
Other assets	155,885	151,015
Investment in equity accounted associates	17,105	20,177
Eliminations and reclassifications	-	213
Other unallocated assets	-	130
Consolidated total assets	344,519	341,304
Liabilities		
Total liabilities for reportable segments	34,993	32,183
Other liabilities	82,790	73,650
Eliminations and reclassifications	-	213
Other unallocated amounts	-	130
Consolidated total liabilities	117,783	106,176

Other Material Items 2013	**Reportable Segment totals**	**Adjustments**	**Consolidated totals**
In thousands of AUD			
Interest revenue	37	1,295	1,332
Interest expenses	(1,720)	(627)	(2,347)
Capital expenditure (Includes reclassification of finished WIP)	-	12,203	12,203
Depreciation and amortisation	(4,048)	(3,381)	(7,429)
	(5,731)	9,490	3,759

7. Housing grants

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

	Consolidated				
In thousands of AUD	**2013**	**2012**	**2011**	**2010**	**Total**
SHGF* grant received	-	-	2,004	14,921	16,925
Fair value of properties received under NBESP **	-	2,720	106,437	-	109,157
Fair value of properties received - BHF***	283	-	-	-	283
Total grant received	**283**	**2,720**	**108,441**	**14,921**	**126,365**

* *Social Housing Growth Fund*

** *Nation Building Economic Stimulus Plan*

*** *Better Housing Futures*

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

In December 2009, Housing NSW, invited tender applications to identify non-government organisations to take on the ownership and management of 4,551 dwelling units with an estimated value of $1.4 billion. The units were located in 287 projects being delivered in Stage 2 of the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative.

Mission Australia Housing Limited was successful and became entitled to receive a total of 68 Nation Building Stage 2 property sites containing 1,055 dwelling units. The title to 494 of these units (as first instalment) was vested to Mission Australia Housing Limited in 2011. Fair value of these properties was recognised as income in 2011. At 30 June 2013, these properties are valued at $105.5 million in the Group's *Statement of Financial Position*. Refer Note 16 – *Investment Properties* for more details.

It is possible that the title for the remaining 561 dwellings will be transferred in 2014 financial year.

7.2 Social Housing Growth Fund grant (SHGF)

Mission Australia Housing Limited received a grant totalling $16.9 million in 2010 and 2011 from the New South Wales Land and Housing Corporation (the Corporation) to purchase properties that could be affordably rented by people in need. The grant was utilised in purchasing properties that are now being used for social housing purposes.

Under the requirement of one of the grant conditions, Mission Australia Housing Limited obtained additional finance of $14.0 million from the bank (refer Note 21- *Loans and borrowings)* using the properties purchased from the grant as security, to purchase additional social housing stock.

Mission Australia Housing Limited currently has 101 dwellings that it purchased from the grant and bank loan and are valued at $30.1 million in its *Statement of Financial Position*. Refer Note 16 – *Investment Properties* for more details.

7.3 Stock transfers received under Better Housing Futures (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 Limited 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.

7. Housing grants (continued)

7.3 Stock transfers received under Better Housing Futures (BHF) (continued)

i. Sale and Development Agreement

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 Limited in order to:

- Provide a source of revenue through staged land sales for Mission Australia Housing Limited 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.

These transfers are scheduled to occur in four stages and are expected to be completed by 2017.

Mission Australia Housing Limited recognised $0.3 million in its *Statement of Profit or Loss and Comprehensive Income.* This represents the fair value of vacant land transferred under this agreement.

Mission Australia Housing Limited has financial obligations under this agreement to upgrade, construct and / or sell the lots it is entitled to receive under this agreement to meet overall objective of this agreement (as listed above).

ii. Residential Management Agreement

Under this Agreement, the Department of Health and Human Services has appointed Mission Australia Housing Limited as property and tenancy manager of 496 dwellings in the Clarendon Vale and Rokeby area. It was the intention of both parties that Mission Australia Housing Limited delivers quality social housing which protects residents' security of tenure and is suitable to the needs of the residents and the community.

Mission Australia Housing Limited has material financial obligations under this agreement whereby it must incur set levels of repair and maintenance every year and use the rental income in accordance with the terms and conditions of this agreement. Failure to meet these obligations could result in an Event of Default.

The two agreements, *Residential Management Agreement* and *Sales and Development Agreement* are conterminous to each other and termination of any of the two agreements will also result in termination of the other.

8. Revenue

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Revenue from rendering services				
Employment Services	90,806	122,527	90,809	122,527
Community Services	129,088	115,704	129,088	115,704
Early Learning	41,354	20,790	-	-
Housing	3,897	3,017	-	-
Other	3,258	2,500	254	321
	268,403	**264,538**	**220,151**	**238,552**

9. Other income

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Change in fair value of investment property	(2,192)	178	(245)	-
Net intercompany charges	-	-	4,888	3,076
Other capital grants	6,169	9,215	4,787	9,215
Other miscellaneous income	1,144	1,548	740	1,435
	5,121	**10,941**	**10,170**	**13,726**

10. Other assets

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Inventory	10	9	10	9
	10	**9**	**10**	**9**

11. Personnel expenses

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Wages and salaries	183,212	167,125	150,805	149,837
Other associated personnel expenses	18,606	24,672	14,438	21,895
Contributions to defined contribution plans	16,429	15,616	13,524	13,986
	218,247	**207,413**	**178,767**	**185,718**

12. Finance income and finance costs

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Recognised in profit or loss:				
Interest income	1,332	1,245	1,227	1,148
Dividend income	123	227	123	227
Dividend income from associates	-	-	-	5,309
Net change in fair value of financial assets at fair value through profit or loss	2,790	57	2,790	57
Finance income	4,245	1,529	4,140	6,741
Interest expense	2,347	1,752	628	135
Interest paid to Sir David Martin Foundation	-	-	386	401
Finance expense	2,347	1,752	1,014	536
Net finance income / (expense) recognised in surplus	**1,898**	**(223)**	**3,126**	**6,205**
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	1,332	1,245	1,227	1,148
Total interest expense on financial liabilities	2,347	1,752	628	135

13. Cash and cash equivalents

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Bank balances	26,515	19,755	22,030	17,726
Bank balances - Sinking fund	542	-	-	-
Cash and cash equivalents in the statement of cash flows	**27,057**	**19,755**	**22,030**	**17,726**

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

13. Cash and cash equivalents (continued)

13.1 Reconciliation of cash flows from operating activities

		Consolidated		Company	
In thousands of AUD	**Note**	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities					
(Deficit) / Surplus for the period		(8,105)	19,260	(5,044)	8,167
Adjustments for:					
Depreciation of property, plant and equipment	18	4,730	3,731	4,277	3,501
Amortisation of intangible assets	19	2,699	2,232	2,358	2,142
Dividend received		(123)	(227)	(2,359)	(7,893)
Share of equity accounted profit net of dividends	15	3,072	(8,010)	-	-
Change in fair value of investment property		2,192	(178)	245	-
Unrealised (gain) / loss on other investments		(2,790)	40	(2,790)	40
Provision against loans receivables from subsidiaries		-	-	2,727	5,643
Loss / (gain) on sale of property, plant and equipment		(321)	289	(321)	339
Interest receivable		(382)	(863)	(382)	(863)
Bequest receivable		-	(2,707)	-	-
Non-cash housing grant	7	(283)	(2,720)	-	-
Cash from operations before changes in working capital and provisions		689	10,847	(1,289)	11,076
Change in trade and other receivables	14	3,726	(3,471)	4,994	(2,560)
Change in prepayments		(1,730)	1,095	(1,275)	940
Change in trade and other payables	20	581	11,793	102	11,815
Change in employee benefits provisions	22	1,523	359	284	238
Other assets		(1)	5	(1)	5
Change in deferred income	20	2,635	2,000	1,572	2,481
Cash generated from operations		**7,423**	**22,628**	**4,387**	**23,995**

14. Trade and other receivables

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Current				
Trade receivables	18,847	22,758	15,521	20,515
Other receivables	43	37	42	37
Loans to related parties	-	-	191	175
	18,890	22,795	15,754	20,727
Non Current				
Subordinated notes in Goodstart Early Learning	9,438	6,613	6,731	6,613
Other non-current receivables	-	2,707	-	-
Loans to related parties				
- Mission Australia Housing Limited	-	-	5,657	5,742
- Mission Australia Housing (VIC) Limited	-	-	3,059	2,412
	9,438	9,320	15,447	14,767
	28,328	**32,115**	**31,201**	**35,494**

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

15. Equity accounted investments

	Consolidated		Company	
Goodstart Early Learning	|--*Equity Accounted at Cost*--|		|---*Measured at fair value*---|	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Opening balance	5,951	3,585	-	-
Share of profit for the year	1,014	2,366	-	-
Investment in Goodstart Early Learning	**6,965**	**5,951**	**-**	**-**
Working Links (Employment) Limited				
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Opening balance	14,226	13,891	6,000	6,000
Share of (loss) / profit for the year	(4,086)	5,644	-	-
Dividends received	-	(5,309)	-	-
Investment in Working Links (Employment) Limited	**10,140**	**14,226**	**6,000**	**6,000**
Total equity accounted investment in associates	**17,105**	**20,177**	**6,000**	**6,000**

The Group's share of loss in its equity accounted investees for the year was $3.1 million; (2012: $8.0 million profit).

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 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)
as at June 2012					
Goodstart Early Learning	28.5%	248,410	227,528	736,439	8,301
Working Links (Employment) Limited (associate)	33.3%	72,450	40,979	142,520	16,932

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.

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;
- Representation on the Board, Group CEO is a member of the Goodstart Board; and
- 25 per cent representation in the Member's committee that is responsible for making key operating and strategic decision 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 / loss from Working Links (Employment) Limited (Working Links) is recognised as income / expense in *Statement of Profit or Loss and Other Comprehensive Income* and as an asset in *Statement of Financial Position*. The asset recognised in the *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 *Statement of Financial Position*. Income is recognised as Unrestricted Accumulated Surplus in the *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 $1.0 million (2012: $2.4 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.

16. Investment property

In thousands of AUD

Consolidated	*Group owned Properties*	*Purchased from SHGF**	*Received under NBESP***	*Total*
Fair value		--------------Restricted------------		
Balance at 1 July 2011	17,717	26,563	106,437	150,717
Purchased	111	-	-	111
Purchased using grant funding	-	3,033	-	3,033
Received as grants	-	-	2,720	2,720
Change in fair value	1,987	127	(1,936)	178
Balance at 30 June 2012	19,815	29,723	107,221	156,759
Balance at 1 July 2012	19,815	29,723	107,221	156,759
Purchased	427	3	16	446
Received as grants	283	-	-	283
Reclassified from PPE	315	-	-	315
Change in fair value	(889)	401	(1,704)	(2,192)
Balance at 30 June 2013	**19,951**	**30,127**	**105,533**	**155,611**

Company	*MA owned Properties*	*Purchased from SHGF**	*Received under NBESP***	*Total*
Fair value		--------------Restricted------------		
Balance at 1 July 2011	2,595	-	-	2,595
Purchased	-	-	-	-
Purchased using grant funding	-	-	-	-
Received as grants	-	-	-	-
Change in fair value	-	-	-	-
Reclassified from PPE	-	-	-	-
Balance at 30 June 2012	2,595	-	-	2,595
Balance at 1 July 2012	2,595	-	-	2,595
Purchased	-	-	-	-
Purchased using grant funding	-	-	-	-
Received as grant	-	-	-	-
Change in fair value	(245)	-	-	(245)
Balance at 30 June 2013	**2,350**	**-**	**-**	**2,350**

* *Social Housing Growth Fund*
** *Nation Building Economic Stimulus Plan*

Please refer to Note 7 – *Housing grants* for more details 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 period 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 any proceeds can only be used towards purchase of similar social housing stock.

16. Investment property (continued)

16.1 Security

At 30 June 2013, investment property with a carrying amount of $45.3 million; (2012: $42.8 million) is subject to a mortgage to secure bank loans.

17. Investments

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Current investments				
Opening balance	16,697	16,737	16,697	16,737
Disposals	(5,000)	-	(5,000)	-
Movement in fair value	2,685	(40)	2,685	(40)
Financial assets designated at fair value through profit or loss	**14,382**	**16,697**	**14,382**	**16,697**

The financial assets designated at fair value through profit or loss are equity securities managed by GSJB 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.

18. Property, plant and equipment

Consolidated

Cost or fair value	*Land and buildings*	*Leasehold Improvement*	*Plant and Equipment*	*IT Assets*	*Capital Work In Progress*	*Total*
In thousands of AUD						
Balance at 1 July 2011	55,020	15,674	6,556	130	4,570	81,950
Additions	6,013	1,772	1,157	2,115	7,232	18,289
Revaluation	4,590	-	-	-	-	4,590
Disposals	(2,185)	(97)	(217)	(2)	-	(2,501)
Reclassification to investment property	-	-	-	-	-	-
Balance at 30 June 2012	63,438	17,349	7,496	2,243	11,802	102,328
Balance at 1 July 2012	63,438	17,349	7,496	2,243	11,802	102,328
Additions (Includes reclassification from WIP)	17,719	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	**79,160**	**19,153**	**8,877**	**3,601**	**110**	**110,901**

Depreciation and impairment losses	*Land and buildings*	*Leasehold Improvement*	*Plant and Equipment*	*IT Assets*	*Capital Work In Progress*	*Total*
Balance at 1 July 2011	601	10,482	4,869	85	-	16,037
Depreciation	452	2,213	693	373	-	3,731
Off set upon revaluation	(588)	-	-	-	-	(588)
Disposals	(86)	(85)	(205)	(2)	-	(378)
Balance at 30 June 2012	379	12,610	5,357	456	-	18,802
Balance at 1 July 2012	379	12,610	5,357	456	-	18,802
Depreciation	768	2,180	861	921	-	4,730
Off set upon revaluation	(276)	-	-	-	-	(276)
Disposals	(25)	(591)	(548)	-	-	(1,164)
Balance at 30 June 2013	**846**	**14,199**	**5,670**	**1,377**	**-**	**22,092**

Carrying amounts	*Land and buildings*	*Leasehold Improvement*	*Plant and Equipment*	*IT Assets*	*Capital Work In Progress*	*Total*
At 1 July 2011	54,419	5,192	1,687	45	4,570	65,913
At 30 June 2012	63,059	4,739	2,139	1,787	11,802	83,526
At 1 July 2012	63,059	4,739	2,139	1,787	11,802	83,526
At 30 June 2013	**78,314**	**4,954**	**3,207**	**2,224**	**110**	**88,809**

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.

18.1 Security

At 30 June 2013 Land and buildings with a carrying amount of $58.5 million; (2012: $47.6 million) are subject to a mortgage to secure bank loans.

Company

Cost or fair value	*Land and Buildings*	*Leasehold Improvements*	*Plant and equipment*	*IT assets*	*Capital Work In Progress*	*Total*
In thousands of AUD						
Balance at 1 July 2011	55,022	15,152	6,522	129	4,570	81,395
Additions	6,013	1,263	855	2,033	7,232	17,396
Revaluation	4,590	-	-	-	-	4,590
Disposals	(2,184)	(97)	(217)	(2)	-	(2,500)
Balance at 30 June 2012	63,441	16,318	7,160	2,160	11,802	100,881
Balance at 1 July 2012	63,441	16,318	7,160	2,160	11,802	100,881
Additions (includes reclassification from WIP)	17,404	2,125	1,850	1,353	(11,705)	11,027
Revaluation	(316)	-	-	-	-	(316)
Disposals	(1,366)	(612)	(572)	-	-	(2,550)
Balance at 30 June 2013	**79,163**	**17,831**	**8,438**	**3,513**	**97**	**109,042**
Depreciation and impairment losses	*Land and Buildings*	*Leasehold Improvements*	*Plant and equipment*	*IT assets*	*Capital Work In Progress*	*Total*
Balance at 1 July 2011	602	10,431	4,866	85	-	15,984
Depreciation	452	2,027	683	339	-	3,501
Off set upon revaluation	(588)	-	-	-	-	(588)
Disposals	(86)	(85)	(204)	(2)	-	(377)
Balance at 30 June 2012	380	12,373	5,345	422	-	18,520
Balance at 1 July 2012	380	12,373	5,345	422	-	18,520
Depreciation	768	1,872	759	878	-	4,277
Off set upon revaluation	(276)	-	-	-	-	(276)
Disposals	(25)	(590)	(522)	-	-	(1,137)
Balance at 30 June 2013	**847**	**13,655**	**5,582**	**1,300**	**-**	**21,384**
Carrying amounts	*Land and Buildings*	*Leasehold Improvements*	*Plant and equipment*	*IT assets*	*Capital Work In Progress*	*Total*
At 1 July 2011	54,420	4,721	1,656	44	4,570	65,411
At 30 June 2012	63,061	3,945	1,815	1,738	11,802	82,361
At 1 July 2012	63,061	3,945	1,815	1,738	11,802	82,361
At 30 June 2013	**78,316**	**4,176**	**2,856**	**2,213**	**97**	**87,658**

19. Intangible assets

	Consolidated		Company	
Cost	Computer Software	Total	Computer Software	Total
In thousands of AUD				
Balance at 1 July 2011	11,449	11,449	11,449	11,449
Acquisitions	5,346	5,346	3,783	3,783
Balance at 30 June 2012	**16,795**	**16,795**	**15,232**	**15,232**
Balance at 1 July 2012	16,795	16,795	15,232	15,232
Acquisitions	1,920	1,920	1,674	1,674
Balance at 30 June 2013	**18,715**	**18,715**	**16,906**	**16,906**
Amortisation				
Balance at 1 July 2011	4,840	4,840	4,840	4,840
Amortisation for the year	2,232	2,232	2,142	2,142
Balance at 30 June 2012	**7,072**	**7,072**	**6,982**	**6,982**
Balance at 1 July 2012	7,072	7,072	6,982	6,982
Amortisation for the year	2,699	2,699	2,358	2,358
Balance at 30 June 2013	**9,771**	**9,771**	**9,340**	**9,340**
Carrying amounts				
At 1 July 2011	6,609	6,609	6,609	6,609
At 30 June 2012	**9,723**	**9,723**	**8,250**	**8,250**
At 1 July 2012	9,723	9,723	8,250	8,250
At 30 June 2013	**8,944**	**8,944**	**7,566**	**7,566**

Bed license

The Company owns 192 bed licenses 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 licenses granted to the Company, Directors have determined their fair value in use to be nil.

20. Trade and other payables

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Current				
Trade payables	14,526	16,293	14,526	16,293
Other payables and accrued expenses	18,455	16,107	17,302	15,433
	32,981	**32,400**	**31,828**	**31,726**
Deferred income	26,299	23,893	23,965	22,393
	59,280	**56,293**	**55,793**	**54,119**
Non current				
Other payables and accrued expenses	**5,002**	**5,443**	**3,658**	**4,254**

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 and Company's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's and Company's exposure to interest rate risk and liquidity risk, see Note 5.

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Current liabilities				
John Barnes Foundation	103	94	103	94
Loans from related entities				
- Sir David Martin Foundation	-	-	7,968	7,681
- Mission International Limited	-	-	-	130
	103	**94**	**8,071**	**7,905**
Non-current liabilities				
John Barnes Foundation	836	940	836	940
Bank loans	33,600	26,287	12,000	5,000
	34,436	**27,227**	**12,836**	**5,940**

Bank loans are secured by properties owned by the Group.

No security is held against related entity balances. Interest is charged monthly on related entity balances.

21. Loans and borrowings (continued)

Terms and conditions of outstanding loans were as follows:

Consolidated				30 June 2013		30 June 2012	
In thousands of AUD	Currency	Average interest rate	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	6.6%	2018	16,500	16,500	-	-
Secured bank loan	AUD	9.3%	2013	-	-	14,000	14,000
Secured bank loan	AUD	7.0%	2013	-	-	5,100	5,100
Secured bank loan	AUD	7.0%	2013	-	-	2,187	2,187
Secured bank loan	AUD	5.3%	2016	5,100	5,100	-	-
Secured bank loan	AUD	5.5%	2014	12,000	12,000	5,000	5,000
Unsecured loan	AUD	8.4%	2020	939	939	1,034	1,034
Total interest-bearing liabilities				**34,539**	**34,539**	**27,321**	**27,321**

Company				30 June 2013		30 June 2012	
In thousands of AUD	Currency	Average interest rate	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	5.5%	2014	12,000	12,000	5,000	5,000
Unsecured loan	AUD	8.4%	2020	939	939	1,034	1,034
Loan from associates	AUD	5.0%	NA	7,968	7,968	7,681	7,681
Loan from associates	AUD	5.0%	NA	-	-	130	130
Total interest-bearing liabilities				**20,907**	**20,907**	**13,845**	**13,845**

The Company has a $15.0 million term loan facility with its bankers. As at 30 June 2013, $12.0 million (2012: $5.0 million) from this facility was drawn.

The secured bank loans are secured over land and buildings and investment properties with carrying amount of $104.1 million (2012: $90.4 million).

At 30 June 2013 Mission Australia had $12.0 million drawn under a bank facility with a maturity date of 14 July 2014. This facility had three financial undertakings to be measured in respect of 30 June 2013 and reported to the bank by 30 October 2013. Prior to 30 June 2013, it was agreed with the financier that the bank would not require ongoing compliance with one of these undertakings. In October 2013, formal written agreement was obtained waiving any requirement to test this financial undertaking from 1 April 2013 and confirming the long term maturity of the facility on 14 July 2014. Compliance for the period to 30 June 2013 has been confirmed for the remaining two financial undertakings. The financial statements have recorded the $12.0 million drawn under this facility as a long term liability reflecting the substance of the arrangement with the bank.

22. Employee benefits provisions

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Current				
Liability for long service leave	3,429	2,997	3,029	2,912
Liability for annual leave	11,843	10,713	10,419	9,957
	15,272	**13,710**	**13,448**	**12,869**
Non-current				
Liability for long service leave	**3,690**	**3,409**	**3,087**	**3,062**

23. Deferred income

Deferred income for the Group of $26.3 million; (2012: $23.9 million) classified as current consists of government grants received in advance for services to be rendered by the Group. The Company has deferred income of $24.0 million; (2012: $22.4 million).

The Group has been awarded numerous government grants. The major grants are from the Department of Employment Education and Workplace Relations in relation to Employment contracts. Deferred income is amortised over the period to which the advance relates.

24. Capital and reserves

24.1 Asset revaluation reserve

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

24.2 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.

24.3 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.

24.4 Restricted accumulated surplus

The Group has restricted accumulated surplus of $133.0 million; (2012: $132.0 million) in the current financial year. This consists of the following transactions/balances:

	Note	Consolidated	
In thousands of AUD		**2013**	**2012**
Opening balance		132,033	126,947
Fair value of properties received under NBESP	7	-	2,720
Share of income recognised from GoodStart	15	1,014	2,366
		133,047	**132,033**

No restricted surplus was recognised in the Company during the current financial year (2012: nil).

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25. Operating lease

25.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**
Less than one year	24,363	24,366	20,281	20,459
Between one and five years	38,173	43,701	25,754	31,545
More than five years	8,597	10,466	695	797
	71,133	**78,533**	**46,730**	**52,801**

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 2013, the Group recognised $28.7 million (2012: $28.8 million) as an expense in the income statement in respect of operating leases.

25.2 Leases as lessor

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

In thousands of AUD	Consolidated		Company	
	2013	**2012**	**2013**	**2012**
Less than one year	2,247	1,180	-	-
Between one and five years	-	-	-	-
More than five years	-	-	-	-
	2,247	**1,180**	**-**	**-**

During the year, $12.8 million was recognised as rental income in profit and loss (2012: $10.2 million).

In the current financial year, Mission Australia Housing Limited entered into a *Residential Management Agreement* with Department of Health and Human Services in Tasmania. This is a 10 year agreement and requires Mission Australia Housing Limited to manage up to 496 social housing leases under this agreement.

25.3 Finance leases

The Group and Company do not have any finance lease arrangement at 30 June 2013.

25.4 Housing commitments

As a licensed housing provider, Mission Australia Housing Limited has an obligation to set aside resources for scheduled repairs and maintenance of housing properties. 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 licence and other consequences of default within its contract with Housing NSW.

26. Capital commitments

In 2012, the Group 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 and is yet to be received pending finalisation of site and construction plans.

27. 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.

28. Related parties

28.1 Key Management personnel compensation

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

	Consolidated		Company	
In AUD	**2013**	**2012**	**2013**	**2012**
Short-term employee benefits	2,121,500	2,092,870	1,932,504	1,853,341
Other long-term benefits	33,948	32,223	33,948	30,827
Post-employment benefits	200,102	185,458	181,138	164,290
Termination benefits	191,734	63,985	71,823	63,985
	2,547,284	2,374,536	**2,219,413**	2,112,443

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

28.2 Individual Directors' compensation disclosures

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.

Mr E Crouch was Chairman of 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.

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.

28. Related parties (continued)

28.3 Other related party transactions

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

`	2013	2012
Distribution received from:		
- Sir David Martin Foundation	2,236,678	2,356,613
	2,236,678	**2,356,613**
Interest paid to:		
- Sir David Martin Foundation	386,000	401,000
	386,000	**401,000**
Interest received from:		
- Mission Australia Housing Limited	70,560	91,520
- Mission Australia Housing (Victoria) Limited	235,530	197,160
	306,090	**288,680**

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

29. Group entities

	Country of incorporation	Ownership interest 2013	Ownership interest 2012
		%	%
Mission Australia	Australia	Parent	Parent
Significant 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 Limited	Australia	100	100
Mission Australia Housing (Victoria) Limited	Australia	100	100
Many Rivers Microfinance Limited	Australia	100	100
Mission International Limited	Australia	100	100
Mission Australia Early Learning Services Limited	Australia	100	100
Mployment Limited	England	100	100
Mission International UK	England	100	100

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

30. Subsequent events

From 1 July 2013, Mission Australia Housing Limited and Mission Australia Housing (Victoria) Limited changed their name to Mission Australia Housing and Mission Australia (Victoria) respectively.

From 14 Oct 2013, Mission Australia Early Learning Services Limited changed its name to Mission Australia Early Learning.

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 2013.

31. Auditors' remuneration

In AUD	2013	2012	2013	2012
Audit and review services				
Auditors of the Company				
KPMG				
Audit and review of financial statements	239,300	221,300	239,300	221,300
Other regulatory services	-	-	-	-
	239,300	**221,300**	**239,300**	**221,300**
Other Services				
Auditors of the Company	83,717	-	68,717	-
	83,717	**-**	**68,717**	**-**

KPMG also provided audit services for approximately 255 (2012: 197) projects that require an audited acquittal statement by the funding bodies. The cost of the acquittal audit services provided by KPMG in 2013 was $224,400 (2012: $157,300). These costs were acquitted to the individual projects.

32. 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.

33. 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 5 *Financial risk management*
Note 6 *Operating Segments*

34. 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.

		Consolidated		Company	
	In thousands of AUD	**2013**	**2012**	**2013**	**2012**
	Results of fundraising appeals				
(a)	Gross proceeds from fundraising appeals	25,475	27,909	22,167	23,953
	Less: direct costs of fundraising appeals	(4,889)	(5,367)	(4,052)	(4,433)
	Net surplus obtained from fundraising appeals	20,586	22,542	18,115	19,520
(b)	Application of net surplus obtained from fundraising appeals				
	Community services expenditure	168,750	159,279	168,750	159,279
(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	123,567	110,350	123,567	110,350
	Other income	24,597	26,387	27,068	29,409
(d)	Comparisons of certain monetary figures and percentages				
	Total costs of fundraising/	4,889	5,367	4,052	4,433
	Gross income from fundraising	25,475	27,909	22,167	23,953
		19.19%	19.23%	18.28%	18.51%
	Net surplus from fundraising/	20,586	22,542	18,115	19,520
	Gross income from fundraising	25,475	27,909	22,167	23,953
		80.81%	80.77%	81.72%	81.49%
	Total costs of services/	168,750	159,279	168,750	159,279
	Total expenditure	332,803	320,504	276,111	289,187
		50.71%	49.70%	61.12%	55.08%
	Total costs of services/	168,750	159,279	168,750	159,279
	Total operating income received	324,698	337,044	271,067	297,354
		51.97%	47.26%	62.25%	53.57%

Gross proceeds from fundraising appeals for 2013 exclude bequests of $2.6 million (2012: $6.0 million).

Directors' Declaration

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

a) the financial statements and notes set out on pages 17 to 72 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 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 *Corporations Regulations 2001*.

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 Sydney, 25 October 2013.

Martin G Watkins
Vice President and Acting Chairman

Jennifer Lambert
Director

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, Martin G Watkins, Vice President and Acting Chairman of the Board of Mission Australia, declare that in my opinion:

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

b) the 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 Mission Australia; and

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

Dated at Sydney, 25 October 2013.

Martin G Watkins
Vice President and Acting Chairman

KPMG

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 statements of financial position as at 30 June 2013, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 34 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.

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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

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 presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

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 *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Mission Australia is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 2.

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

In our opinion:

(a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2013;

(b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2012 to 30 June 2013, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;

(c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2012 to 30 June 2013 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 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.

KPMG

Audit opinion pursuant to the WA Charitable Collections Act 1946 and WA Charitable Collections Regulation 1947

In our opinion:

(e) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2013;

(f) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2012 to 30 June 2013, in accordance Section 15(2) of the WA Charitable Collections Act 1946 and Section 11 and Section 16 of the WA Charitable Collections Regulation 1947;

(g) money received as a result of fundraising appeal activities conducted during the period from 1 July 2012 to 30 June 2013 has been properly accounted for and applied in accordance with Section 15(2) of the WA Charitable Collections Act 1946 and Section 11 and Section 16 of the WA Charitable Collections Regulation 1947; and

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

KPMG

KPMG

Anthony Travers
Partner

Sydney

25 October 2013