

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

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED

30 June 2015

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DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Mission Australia (the Company) and its controlled entities, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2015 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 G W Crouch AM, BEc (Hons), LLB FAICD President and Chairman Independent Non-Executive Director	Appointed President and Chairman of Mission Australia in November 2009 and a Director since 1995. Ewen is a Director of Westpac Banking Corporation, BlueScope Steel Limited, Sydney Symphony Orchestra and Jawun. Ewen was a partner at Allens from 1988-2013 where he held the roles of Chairman, Co-Head Mergers & Acquisitions, Executive Partner Asia Offices and Deputy Managing Partner during his partnership career. He is now a consultant at Allens. He is a member of the Commonwealth Remuneration Tribunal, the AICD's Law Committee, the Corporations Committee of the Law Council of Australia. In the Australia Day 2013 Honours List, Ewen was the recipient of a Member of the Order of Australia. Ewen is a member of the Nomination, Remuneration and Succession Committee, the Service Impact Committee and attends the Board Audit and Risk Committee by invitation.
Mr Martin G Watkins, BEc (Hons), CA, MIPC Vice President Independent Non-Executive Director	Appointed Vice President in 2001 and a Director since 1996. Martin is a Director of Working Links Employment Ltd UK (an associated company of Mission Australia). Martin is a Chartered Accountant and Director of Richfield Consulting and Carbon Careers executive recruitment companies. He is also Chairman of Christian Community Ministries (CCM) which operates a number of schools on the eastern seaboard. Martin is a member of the Nomination, Remuneration and Succession Committee and of the Board Audit and Risk Committee.
Mr Nicholas S Barnett, BEc, CA, FAICD Independent Non-Executive Director	Appointed as a Director in 2008, Nicholas is Chief Executive Officer of Insync Surveys Pty Ltd, Chairman of Ansvar Insurance Ltd and a former partner of KPMG. Nicholas is a former Chairman of First Samuel and Ambit Group and co-founder of Board Benchmarking and Gender Worx. Nicholas is Chairman of the Service Impact Committee.
The Hon. Dean Brown AO, M.Rur.Sc, Grad.Dipl. Bus Admin, FAICD Independent Non-Executive Director	Appointed as a Director in 2012, Dean is a former Premier of South Australia, with more than 27 years' experience in Parliament. His ministerial responsibilities included 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 a member of the Service Impact Committee.
Mr Kenneth A Dean BCom (Hons), FCPA, FAICD Independent Non-Executive Director	Appointed as Director on 1 June 2015, Ken is an Independent Non-Executive Director of Santos Limited, a Director of Santos Finance Limited, a Non-Executive Director of Bluescope Steel Limited and an Independent Non-Executive Director of Energy Australia Holdings Limited. Ken has more than 40 years' experience in the oil and gas industry. Ken is a member of the Nomination, Remuneration and Succession Committee.
Mr Grant A Dempsey, BComm Independent Non-Executive Director	Appointed as a Director in 2010, Grant is Managing Director and Head of Investment Banking at JP Morgan. Grant is Chairman of the Nomination, Remuneration and Succession Committee.
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD Independent Non-Executive Director	Appointed as a Director in 2011, Evelyn was Chairman of Mission Australia Housing and Mission Australia Housing (Victoria) until September 2015. She is also an independent Director of MLC Nominees Pty Ltd, PFS Nominees Pty Ltd, Nulis Nominees (Australia) Ltd and the Tasmanian Public Finance Corporation. Evelyn previously held senior executive roles in government, investment banking and risk management. Evelyn is a member of the Board Audit and Risk Committee.
Ms Jennifer M 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. Jennifer is Chairman of the Board Audit and Risk Committee.
Dr Karin N Sowada, PhD, BA (Hons) Independent Non-Executive Director	Appointed as a Director in 2008, Karin is a Director of Capital Research Pty Ltd and Chair of the Social Issues Committee of the Anglican Church, Sydney Diocese. Karin is the former Chief Executive Officer of Anglican Deaconess Ministries Limited. Karin is a member of the Service Impact Committee.
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. From 1 August 2014 Stephen took leave of absence and retired as a Director at the 26 November 2014 Annual General Meeting.

DIRECTORS' REPORT

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2. Company Secretary

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

3. Directors' meetings

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

Director	Board Meetings		Board Audit and Risk Committee Meetings		Nomination, Remuneration and Succession Committee Meetings		Service Impact Committee Meetings	
	A	B	A	B	A	B	A	B
Mr Ewen G W Crouch AM	7	7	3*	4*	3	3	4	4
Mr Martin G Watkins	7	7	4	4	3	3	-	-
Mr Nicholas S Barnett	6	7	-	-	-	-	4	4
The Hon. Dean Brown AO	7	7	-	-	-	-	4	4
Mr Kenneth A Dean	1	1	-	-	-	-	-	-
Mr Grant A Dempsey	5**	7	-	-	2	3	-	-
Ms Evelyn Horton	7	7	4	4	-	-	-	-
Ms Jennifer M Lambert	7	7	4	4	-	-	-	-
Dr Karin N Sowada	7	7	-	-	-	-	3	4

A – Number of meetings attended

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

* Attends by invitation ** Leave of absence for 2 Board Meetings

4. Corporate governance

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

Mission Australia's full corporate Governance Statement is included on page 56 of this report.

5. Principal activities and objectives

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

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2015 ANNUAL FINANCIAL REPORT

6. Operating and financial review

6.1 Overview of the Group

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

6.2 Operating results

The Group reported an underlying surplus of \$3.4 million (2014: \$3.9 million). Net surplus for the year was \$197.8 million (2014: \$11.1 million).

6.3 Review of operations

In thousands of AUD

	Note	2015	2014
Revenue		337,913	341,351
Expenditure		(334,498)	(337,446)
Underlying surplus		3,415	3,905
Share of profit of equity accounted investees	14	1,562	550
Share of net assets of joint venture	14	2,522	-
Net investing and finance income		2,327	2,897
Net restructuring cost		(1,214)	(1,132)
Make good		(5,572)	-
Other capital grants	9	60	1,661
Revenue from housing grants - restricted	7	184,400	3,833
Change in fair value of investment property		10,311	(671)
Net surplus for the year		197,811	11,043

This year's financial outcome reflects a period of change at Mission Australia. Mission Australia formed a joint venture with an Australian subsidiary of the US listed company Providence Service Corporation called Mission Providence to tender for and deliver the Australian Government's Employment Services Contract 2015-20. Mission Australia holds a 25% economic interest in the joint venture.

The establishment of Mission Providence lead Mission Australia to restructure its operations with staff, premises and equipment being transferred to Mission Providence. A restructure of positions and locations within Mission Australia was also undertaken. Restructure costs were partly offset by initial fees from Mission Providence and the transfer of existing employee entitlements.

Mission Australia continues on its path to strengthen the Balance Sheet through a focus on disciplined capital management. The underlying result was lower by \$0.5 million than 2014, partly as a result of reduced contribution from Employment Services with the wind down of the Job Services Australia contract.

Other significant matters include:

- Mission Australia Housing received capital grants of \$151.4 million representing the value of 561 dwellings vested from Housing NSW under Tranche 2 of the Nation Building Economic Stimulus Plan (NBESP) scheme.
- Mission Australia Housing also received capital grants of \$33.0 million representing the vesting of property at Camperdown NSW.
- Mission Australia Housing (Victoria) settled the sale of its investment property in Seddon, Victoria for \$8.9 million. Mission Australia (Victoria) used the proceeds for the sale to pay its bank loan in full (\$5.1 million).
- Share of net assets of joint venture reflects Mission Australia's 25% financial interest in the joint venture Mission Providence.

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2015 ANNUAL FINANCIAL REPORT

6. Operating and financial review (continued)

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

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

8. Likely developments

By November 2015, Mission Australia Housing expects to complete financing of an additional \$20.5 million plus refinancing of the existing \$16.5 million debt facility with Commonwealth Bank of Australia to fund commitments in NSW under the Nation Building Economic Stimulus Plan. The funds consist of two tranches of \$16.5 million and \$20.5 million over 7 years.

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

9. Directors' interests

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

10. Indemnification and insurance of officers and Directors

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

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

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

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

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2015 ANNUAL FINANCIAL REPORT

11. Non-audit services

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

In AUD

Audit services:

Audit and review of financial reports

Services other than statutory audit:

Other assurance services

2015	2014
237,200	246,480
77,734	48,192

KPMG also provided audit services for approximately 250 (2014: 250) projects that require an audited acquittal statement by the funding bodies. The costs of the acquittal audit services provided by KPMG in 2015 were \$235,000 (2014: \$227,500). These costs were acquitted to the individual projects.

12. Performance measurements

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

The Board reviews performance based on business segments, which are identified by the type of services being provided. Refer to Note 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 8 and forms part of the Directors' Report for the financial year ended 30 June 2015.

14. Registered office

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

15. Bankers

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

16. Founder

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

17. Founding Purpose

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

DIRECTORS' REPORT

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2015 ANNUAL FINANCIAL REPORT

18. Rounding off

The Group is of a kind referred to in *ASIC Class Order 98/100* dated 1 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

19. Notice of meeting

The Annual General Meeting of Mission Australia will be held on 12 November 2015 at Level 6, 580 George Street, Sydney 2000, New South Wales, where this report will be presented.

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



Ewen G W Crouch AM

President and Chairman

Melbourne, 26 October 2015



Jennifer M Lambert

Chair, Board Audit and Risk Committee

Melbourne, 26 October 2015



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

To: the directors of Mission Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Travers
Partner

Sydney

26 October 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015

In thousands of AUD

	Note	2015	2014 Restated*
Revenue from rendering services	8	286,284	289,284
Revenue from housing grants - restricted	7	184,400	3,833
Income from fundraising		27,029	25,023
Income from rental		19,920	19,522
Income from sale of goods		8,277	7,017
Gain on sale of property, plant and equipment		612	220
Other income	9	12,392	3,090
Total revenue for the year		538,914	347,989
Personnel expenses	10	(216,363)	(221,168)
Occupancy and accommodation expenses		(47,323)	(36,732)
Transport and equipment hire expenses		(11,144)	(12,673)
Communication expenses		(12,712)	(12,783)
Client expenses		(8,125)	(8,390)
Depreciation and amortisation expenses	17,18	(8,074)	(8,103)
Restructuring costs		(9,265)	(1,132)
Insurance expenses		(1,978)	(2,128)
Other expenses		(31,300)	(35,469)
Total expenses for the year		(346,284)	(338,578)
Results from operating activities		192,630	9,411
Finance income		2,489	3,190
Finance costs		(1,392)	(2,108)
Net finance income	11	1,097	1,082
Share of equity accounted investees	14	1,562	550
Share of net assets of joint venture	14	2,522	-
Net surplus for the year		197,811	11,043
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	17	(92)	(1,689)
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(19)	(44)
Other comprehensive income for the year		(111)	(1,733)
Total comprehensive income for the year		197,700	9,310
Net surplus / (deficit) attributable to			
Members of the Company		197,811	11,043
Surplus for the year		197,811	11,043
Total comprehensive income / (loss) attributable to			
Members of the Company		197,700	9,310
Comprehensive income for the year		197,700	9,310

* See note 2.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

As at 30 June 2015

In thousands of AUD

	Note	2015	2014 Restated*
Assets			
Cash and cash equivalents	12	39,163	13,469
Trade and other receivables	13	13,259	20,377
Investments	16	17,012	15,989
Prepayments and other assets		4,196	5,240
Assets held for sale	21	-	8,900
Total current assets		73,630	63,975
Trade and other receivables	13	6,530	9,907
Investments in equity accounted investees	14	14,774	10,690
Investment property	15	11,360	9,709
Investment property - restricted	15	334,663	140,201
Property, plant and equipment	17	77,756	86,516
Intangible assets	18	6,332	8,191
Total non-current assets		451,415	265,214
Total assets		525,045	329,189
Liabilities			
Trade and other payables	19	38,300	30,666
Loans and borrowings	20	724	5,212
Employee benefits	22	12,300	15,622
Deferred income	23	22,106	22,128
Total current liabilities		73,430	73,628
Other payables	19	7,255	5,156
Loans and borrowings	20	16,500	17,224
Employee benefits	22	3,206	4,100
Total non-current liabilities		26,961	26,480
Total liabilities		100,391	100,108
Net assets		424,654	229,081
Equity			
Cash flow hedging reserve		(862)	(843)
Asset revaluation reserve		16,429	20,585
Accumulated surplus		79,638	75,679
Restricted accumulated surplus	24	329,449	133,660
Total equity		424,654	229,081

* See note 2.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015

In thousands of AUD

	Note	Cash flow Hedge Reserve	Asset Revaluation Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Balance at 1 July 2013		(799)	22,274	71,604	133,657	226,736
Adjustment to accumulated surplus as at 2013 arising from Goodstart restatement		-	-	-	(6,965)	(6,965)
Total comprehensive income for the year						
Surplus		-	-	4,075	6,968	11,043
Other comprehensive income / (loss)						
Effective portion of changes in fair value of cash flow hedging reserve		(44)	-	-	-	(44)
Revaluation decrement	17	-	(1,689)	-	-	(1,689)
Total other comprehensive loss		(44)	(1,689)	-	-	(1,733)
Total comprehensive (loss) / income for the year		(44)	(1,689)	4,075	6,968	9,310
Balance at 30 June 2014 - restated*		(843)	20,585	75,679	133,660	229,081
Balance at 1 July 2014		(843)	20,585	75,679	133,660	229,081
Adjustment to accumulated surplus 2014-15 arising from sale of properties		-	(4,064)	4,064	-	-
Deconsolidation of Many Rivers Microfinance Limited		-	-	(2,127)	-	(2,127)
Total comprehensive income for the year						
Surplus		-	-	2,022	195,789	197,811
Other comprehensive income / (loss)						
Effective portion of changes in fair value of cash flow hedging reserve		(19)	-	-	-	(19)
Revaluation decrement	17	-	(92)	-	-	(92)
Total other comprehensive loss		(19)	(92)	-	-	(111)
Total comprehensive (loss) / income for the year		(19)	(92)	2,022	195,789	197,700
Balance at 30 June 2015		(862)	16,429	79,638	329,449	424,654

* See note 2.5

CONSOLIDATED STATEMENT OF CASH FLOWS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015

In thousands of AUD

	Note	2015	2014
Cash flows from operating activities			
Cash receipts from customers		384,717	372,706
Cash paid to suppliers and employees		(365,633)	(367,375)
Cash generated from operations		19,084	5,331
Interest received	11	1,259	1,359
Interest paid		(1,137)	(1,710)
External donations paid		(8)	(203)
Net cash from operating activities	12	19,198	4,777
Cash flows from investing activities			
Dividend received	11	106	117
Proceeds from sale of investment properties		9,179	645
Payments for fixed assets and investment properties		(3,739)	(5,060)
Payments for intangibles	18	(947)	(1,964)
Proceeds from sale of property, plant and equipment		7,041	-
Proceeds from redemption of subordinated note		3,366	-
Net cash from / (used in) investing activities		15,006	(6,262)
Cash flows from financing activities			
Proceeds from bank borrowings		-	9
Repayment of borrowings		(5,212)	(12,112)
Net cash used in financing activities		(5,212)	(12,103)
Net increase / (decrease) in cash and cash equivalents		28,992	(13,588)
Cash and cash equivalents at 1 July		13,469	27,057
Deconsolidation of Many Rivers Microfinance Limited		(3,298)	-
Cash and cash equivalents at 30 June	12	39,163	13,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

1. Reporting entity

Mission Australia (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW 2000 Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its controlled entities (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 October 2015.

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; and
- Land & Building and investment property are measured at fair value (except assets classified under asset class *Land and buildings – Aged Care* which are measured at cost).

The methods used to measure fair values are discussed further in Note 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. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2015 are included in the following notes:

- Note 5 – *Financial Risk Management*
- Note 14 – *Equity Accounted Investments*
- Note 27 – *Contingencies*

i. Measurement of fair values

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

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

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

i. Measurement of fair values (continued)

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

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

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

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

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

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

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

- Note 5 – *Financial risk management*
- Note 15 – *Investment property*
- Note 17 – *Property, plant and equipment*

2.5 Restatement - interest in Goodstart

The Group is part of the syndicate of non-profit organisations that formed Goodstart Childcare Limited (Goodstart) entity in 2009 to acquire 650 ABC Learning Centres. Operating as a non-profit organisation itself, Goodstart ensures all surplus funds are reinvested to improve early childhood learning and care at the childcare centres.

To fund the acquisition Goodstart worked with a number of funders providing innovative funding solutions for the acquisition. This involved the Group participating in a syndicate that resulted in voting rights and funding made by subordinated notes.

The group treats the syndicated notes as a loan receivable financial asset under AASB 139 *Financial Instruments: Recognition and Measurement*. There is no change to the Group's accounting policy in respect of the loan receivable.

On 1 July 2014 the Group restated its Investment in Goodstart. The Group now holds the view that the voting interest does not provide it with the power to participate in the financial and operating policies of Goodstart. Accordingly, the Group no longer equity accounts for the investment in Goodstart and has restated it to Nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

2. Basis of preparation (continued)

2.5 Restatement - interest in Goodstart (continued)

The financial statement lines affected by the restatement are:

	Previously Reported	2014 Adjustments	Restated
Consolidated Statement profit or loss and other comprehensive income			
Share of profit of equity accounted investees	6,823	(6,273)	550
Total comprehensive income attributable to members of the company	15,583	(6,273)	9,310
Statement of financial position			
Investment in equity accounted investment – restricted	13,238	(13,238)	-
Total assets	342,427	(13,238)	329,189
Consolidated Statement of changes in equity			
Restricted accumulated surplus	146,898	(13,238)	133,660

2.6 Changes in accounting policies

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

- AASB 1031 *Materiality, and AASB 2014-1 Amendments to Australian Accounting Standards (Part C- Materiality)*
- AASB 2012-3 *Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities (Amendments to AASB132)*
- AASB 2013-4 *Amendments to Australian Accounting Standards-Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-9 *Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments (Part B)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part A-Annual Improvements 2010-2012 and 2011-13 Cycles)*

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Group.

2.7 Working capital

There is net current asset surplus in the Group as at 30 June 2015 of \$0.2 million as compared to \$9.7 million deficiency in 2014. This is mainly due to sale of investment properties and redemption of the Goodstart subordinated notes in 2015 which increased the cash balance to \$39.2 million (2014: 13.4 million).

As at 30 June 2015, the Group also had an unutilised working capital facility of \$11.0 million (2014: \$21.0 million). It is the opinion of the Directors that the Group will generate sufficient cash flow from their operations and has sufficient banking facilities available to continue their operations and fulfil all of their financial obligations as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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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. Controlled entities

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

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

During the year the Group reviewed the treatment of Many Rivers Microfinance Limited ('Many Rivers Microfinance') as a controlled entity. The Group has determined that it does not have exposure to, or the right to, variable returns from Many Rivers Microfinance and does not have the ability to affect those returns through control of the entity. This is based on the following:

- Many Rivers Microfinance is a company limited by guarantee with no tradeable securities. The Group is one of eight subscribing members.
- The Group appoints a representative to the Many Rivers Microfinance Board; however does not have a blocking vote.
- There is no Mission Australia influence to distribute the assets of Many Rivers Microfinance in a non-arm's length transaction or to a related party.
- There were no agreements established with Many Rivers Microfinance in the current financial year to make any distributions to the Group or to any of the Group's affiliated entities.

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. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

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

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

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3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

iv. Transactions eliminated on consolidation

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

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

3.2 Foreign currency transactions

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

3.3 Financial instruments

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

ii. Non-derivative financial assets - Measurement

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

iii. Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised 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.

iv. Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedge item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.4 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Freehold land and buildings (except assets classified under asset class *Land and buildings – Aged Care* which are measured at cost) are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers less subsequent depreciation for buildings.

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

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

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

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

3.5 Investment property

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.6 Intangible assets

i. Software

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

ii. Subsequent expenditure

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

iii. Amortisation

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

- Computer software 5 years

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

iv. Bed licence

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

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

3.7 Impairment

i. Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

- 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;
- adverse change on the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Equity-accounted investees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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3. Significant accounting policies (continued)

3.7 Impairment (continued)

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

3.8 Employee benefits

i. Short-term benefits

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

ii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

iii. Termination benefits

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

iv. Defined Contribution plan

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

3.9 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Make Good Provision

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

Restructuring

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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3. Significant accounting policies (continued)

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

iv. Sale of goods

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

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

v. Revenue from housing grants

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

3.11 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.

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3. Significant accounting policies (continued)

3.12 Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, 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, then 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 cost on the liability is recognised using the Group's incremental borrowing rate.

ii. 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.

3.13 Finance income and expense

The Group's finance income and finance costs include:

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

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

3.14 Income tax

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

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

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MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

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3. Significant accounting policies (continued)

3.15 New Standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), AASB 2012-6 *Amendments to Australian Accounting Standards-Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2013-9 *Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments(Part C-Financial Instruments)*, AASB 2014-1 *Amendments to Australian Standards*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014), and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) (effective 1 January 2018)
- AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB 15* (effective 1 January 2017)
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation* (effective 1 January 2016)
- AASB 2015-1 *Amendments to Australian Accounting Standards- Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (effective 1 January 2016)
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (effective 1 January 2016)
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective 1 July 2015)

It is anticipated that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

4. Determination of fair values

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

4.1 Land and buildings

The fair value of land and buildings is based on market values. The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of at least one-third of the Group's land and building portfolio at 30 June 2015 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 2015 has been determined by the Directors and management based on valuations and assessment of market conditions.

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4. Determination of fair values (continued)

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 are selected for annual valuation on a rotational basis to ensure each property is valued at least once every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

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

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

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

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

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5. Financial risk management (continued)

5.2 Risk management framework

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group manages its financial, credit and market risk using various financial instruments, governed by a set of policies approved by the Board. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group uses different methods to assess and manage different types of risk to which it is exposed. These methods include correlations between risk types, sensitivity analysis in the case of interest rate, foreign exchange, other price risks, and ageing analysis.

5.3 Credit risk

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

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

i. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base primarily consists of individual clients 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.

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

<i>In thousands of AUD</i>	Note	2015	2014
Trade and other receivables	13	19,789	30,284
Investments	16	17,012	15,989
		36,801	46,273

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

<i>In thousands of AUD</i>	2015	2014
Governments	11,326	18,615
Early learning customers	497	706
Other customers	4,600	4,232
Other related parties	3,366	6,731
	19,789	30,284

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5. Financial risk management (continued)

5.3 Credit risk (continued)

i. Trade and other receivables (continued)

Impairment losses

The ageing of the Group's Current trade receivables at the reporting date is disclosed in the table below. Impairment loss recorded against Group's current trade receivable in this financial year was nil (2014: Nil).

	Gross	Gross
<i>In thousands of AUD</i>	2015	2014
Not past due	9,992	18,944
Past due 0-30 days	1,284	982
Past due 31-120 days	1,983	451
	13,259	20,377

Based on historic default rates and analysis over external sundry debtors as at 30 June 2015, 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 85 per cent of the total balance and the remaining balance relates to customers that have a good credit history with the Group.

The credit quality of trade and other receivables is assessed based on a credit policy established by management. The Group has monitored customer credit risk, by grouping trade and other receivables based on their characteristics. An analysis of the credit quality of trade and other receivables not impaired is as follows:

<i>In thousands of AUD</i>	Gross	Gross
	2015	2014
Receivable from State and Federal governments (low risk)	11,326	18,615
Receivable from related parties (low risk)	3,366	6,731
Other customers:		
- Four or more year trading history with the Group	2,837	2,661
- Less than four years of trading history with the Group	2,260	2,277
	19,789	30,284

All trade and other receivables that are considered higher risk have been provided for and hence not reported in the table above.

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

ii. Investments

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

iii. Guarantees

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

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5. Financial risk management (continued)

5.4 Liquidity risk

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

Typically, the Group ensures that it has sufficient cash or cash equivalents on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains \$31.5 million (inclusive of non-recourse bank facilities in Mission Australia Housing and Mission Australia Housing (Victoria)) combined bank facility that is secured by registered mortgages over certain freehold properties of the company. Interest would be payable on a daily basis at an average rate of 6.44 per cent.

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

Exposure to liquidity risk

The following table indicates:

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2015					
<i>In thousands of AUD</i>					
Non-derivative financial liabilities *					
Trade and other payables	38,300	38,300	37,715	-	585
Loans and borrowings	17,224	20,901	1,282	446	19,173
	55,524	59,201	38,997	446	19,758
Derivative financial liabilities					
Interest rate swap used for hedging	861	861	119	-	742
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
2014					
<i>In thousands of AUD</i>					
Non-derivative financial liabilities *					
Trade and other payables	30,666	30,666	30,097	-	569
Loans and borrowings	22,436	26,264	5,666	535	20,063
	53,102	56,930	35,763	535	20,632
Derivative financial liabilities					
Interest rate swap used for hedging	808	808	35	-	773

* 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)

5.4 Liquidity risk (continued)

Exposure to liquidity risk (continued)

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

As disclosed in Note 20, the Group has one secured bank loan which contains debt covenants. The breach of any covenant may require the Group to repay the loan earlier than indicated in the above table.

5.5 Market risk

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

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

i. Currency risk

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

ii. Interest rate risk

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

Exposure to interest rate risk

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

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5. Financial risk management (continued)

5.5 Market risk (continued)

ii. Interest rate risk (continued)

Exposure to interest rate risk (continued)

2015

In thousands of AUD

Fixed rate instruments

Financial liabilities

- Bank loans
- Borrowing from John Barnes Foundation

Variable rate instruments

Financial liabilities

- Bank loans

Carrying amount	Average	Interest rate range	
\$	%	From	To
		%	%
(15,535)	5.9	5.9	5.9
(724)	8.4	8.4	8.4
(16,259)			
(965)	3.9	3.6	4.2
(965)			

2014

In thousands of AUD

Fixed rate instruments

Financial liabilities

- Bank loans
- Borrowing from John Barnes Foundation

Variable rate instruments

Financial liabilities

- Bank loans

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

Sensitivity analysis

Fixed rate instruments

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

Variable rate instruments

A change of 1 per cent in average bank loan interest rate at the reporting date would have increased / (decreased) equity and profit or loss by \$9,650; (2014: \$12,200).

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5. Financial risk management (continued)

5.5 Market risk (continued)

iii. Other market price risk

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

5.6 Other market price risk

The other investments in wholesale funds of \$17.0 million; (2014: \$16.0 million) are exposed to equity price risk. A 1 per cent change in equity prices at reporting date would have increased / decreased surplus and deficit and equity by approximately \$0.17 million; (2014: \$0.16 million).

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

5.7 Fair values versus carrying amounts

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

	Note	2015		2014	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>In thousands of AUD</i>					
Cash and cash equivalents	12	39,163	39,163	13,469	13,469
Trade and other receivables	13	19,789	19,789	30,284	30,284
Investments	16	17,012	17,012	15,989	15,989
Trade and other payables	19	(45,555)	(45,555)	(35,822)	(35,822)
Loans and borrowings	20	(16,500)	(16,500)	(21,600)	(21,600)
Borrowing from John Barnes Foundation	20	(724)	(724)	(836)	(836)
Interest rate swap used for hedging		(861)	(861)	(808)	(808)
		12,324	12,324	676	676

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.

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5. Financial risk management (continued)

5.8 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

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

In thousands of AUD

30-June-2015

	Level 1	Level 2	Level 3	Total
Investments	17,012	-	-	17,012
Interest rate swap used for hedging	-	(861)	-	(861)
	17,012	(861)	-	16,151

In thousands of AUD

30-June-2014

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

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

6. Operating segments

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

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

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

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6. Operating segments (continued)

2015	Employment Services	Community Services	Housing Services	Early Learning	Fundraising	Other	Consolidated
<i>In thousands of AUD</i>							
External revenues	85,618	158,868	202,644	45,501	21,523	14,449	528,603
Inter-segment revenues	358	7,568	119	2,354	(6,736)	46,528	50,191
Interest income	-	-	204	-	-	1,055	1,259
Interest expense	-	-	(1,139)	(15)	-	(238)	(1,392)
Depreciation expense	(555)	(876)	(264)	(453)	-	(3,120)	(5,268)
Amortisation expense	-	(2)	(403)	(10)	-	(2,392)	(2,807)
Reportable segment surplus / (deficit)	(1,039)	3,355	195,789	(5,091)	7,976	(3,179)	197,811
Share of profit of equity method investees	-	-	-	-	-	1,562	1,562
Share of profit of joint venture	-	-	-	-	-	2,522	2,522
<i>Other material non-cash items:</i>							
Change in the fair value movement	-	-	10,291	-	-	20	10,311
Make good provision	-	2,883	-	2,689	-	-	5,572
Onerous lease	-	-	-	805	-	-	805
Fair value of properties received under NBESP* and Camperdown Common Ground	-	-	184,400	-	-	-	184,400
Reportable segment assets	3,234	281	361,655	2,459	424	142,218	510,271
Investment in associates	-	-	-	-	-	14,774	14,774
Capital expenditure (Includes reclassification of finished WIP)	-	-	-	-	-	5,250	5,250
Reportable segment liabilities	(1,761)	(17,902)	(21,314)	(12,266)	-	(47,148)	(100,391)
2014	Employment Services	Community Services	Housing Services	Early Learning	Fundraising	Other	Consolidated
<i>In thousands of AUD</i>							
External revenues	95,018	159,134	23,365	43,478	20,344	7,321	348,660
Inter-segment revenues	426	8,441	71	1,787	(4,705)	52,517	58,537
Interest income	-	4	94	-	-	1,277	1,375
Interest expense	-	-	(1,351)	-	-	(757)	(2,108)
Depreciation expense	(549)	(744)	(148)	(396)	-	(3,549)	(5,386)
Amortisation expense	-	(2)	(365)	(1)	-	(2,349)	(2,717)
Reportable segment (deficit) / surplus	7,051	1,923	6,966	(2,695)	7,858	(10,060)	11,043
Share of loss of equity method investees	-	-	-	-	-	550	550
<i>Other material non-cash items:</i>							
Change in the fair value movement	-	-	(601)	-	-	(70)	(671)
Fair value of properties received under NBESP*	-	-	3,833	-	-	-	3,833
Reportable segment assets	7,134	698	169,886	1,857	170	138,754	318,499
Investment in associates	-	-	-	-	-	10,690	10,690
Capital expenditure (Includes reclassification of finished WIP)	-	-	-	-	-	5,060	5,060
Reportable segment liabilities	(1,945)	(18,827)	(20,659)	(5,513)	(5)	(53,159)	(100,108)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. Operating segments (continued)

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

In thousands of AUD

	2015	2014
Revenues		
Total revenue for reportable segments	528,108	346,758
Other revenue	60,997	59,768
Elimination of inter-segment revenue	(50,191)	(58,537)
Consolidated revenue	538,914	347,989
Surplus or (Deficit)		
Total profit for reportable segments	200,990	21,103
Other loss	(3,179)	(10,060)
Consolidated surplus / (deficit)	197,811	11,043
Assets		
Total assets for reportable segments	368,053	179,745
Other assets	142,218	138,754
Investment in equity accounted associates	14,774	10,690
Consolidated total assets	525,045	329,189
Liabilities		
Total liabilities for reportable segments	53,243	30,949
Other liabilities	47,148	69,159
Consolidated total liabilities	100,391	100,108

Other Material Items 2015

Reportable Segment totals	Adjustments	Consolidated totals
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In thousands of AUD

Interest revenue	204	1,055	1,259
Interest expenses	(1,154)	(238)	(1,392)
Capital expenditure (Includes reclassification of finished WIP)	-	(5,250)	(5,250)
Depreciation and amortisation	(2,563)	(5,512)	(8,075)

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7. Housing grants

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

In thousands of AUD

	2015	2014
Fair value of properties received under NBESP **	151,400	3,833
Fair value of properties received - BHF***	-	240
Fair value of properties received under Camperdown Common Ground	33,000	-
Total grant received	184,400	4,073

** Nation Building Economic Stimulus Plan

*** Better Housing Futures

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

In 2011, Mission Australia Housing was successful in its tender application to take on the ownership and management of 68 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative. Per the requirement of this tender, successful applicants were to receive title to a given number of units and, in return, were required to:

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

Mission Australia Housing received title to 494 of these units (as first instalment) in April 2011 with a further 521 dwellings vested on 11 July 2014 and the remaining 40 dwellings vested on 25 June 2015.

7.2 Stock transfers received under Camperdown Common Ground

In December 2014, Mission Australia Housing received ownership from Housing NSW in relation to 104 units at 31 Pyrmont Bridge Road, Camperdown that were previously managed under a leasehold agreement as part of the Camperdown Common Ground Project. As with stock transfers previously received under the NBESP, the provision of title under the Vesting Agreement was predicated on the basis that Mission Australia Housing would:

- deliver property and management services to clients eligible for public housing, including people with high-level housing needs;
- allocate the accommodation to particular client groups in accordance with specified target quotas;
- use the properties to leverage financial resources in partnership with private sector institutions;
- use those resources to create additional affordable housing targeted towards low to moderate income households experiencing housing stress; and
- continue the Camperdown Common Ground Project until 6 October 2031 to provide social and affordable housing based on the quotas specified within the Vesting Agreement and related allocations also outlined in the Grant Funding Agreement related to Common Ground.

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7. Housing grants (continued)

7.3 Better Housing Future (BHF)

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

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

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

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

8. Revenue

In thousands of AUD

Revenue from rendering services

Employment Services

Community Services

Early Learning

Housing

Other

2015	2014
85,222	94,625
142,676	144,213
45,324	43,301
2,675	3,421
10,387	3,724
286,284	289,284

9. Other income

In thousands of AUD

Change in fair value of investment property

Other capital grants

Other miscellaneous income

2015	2014
10,311	(671)
60	1,661
2,021	2,100
12,392	3,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Personnel expenses

In thousands of AUD

	2015	2014
Wages and salaries	185,710	188,713
Other associated personnel expenses	13,182	15,167
Contributions to defined contribution plans	17,471	17,288
	216,363	221,168

11. Finance income and finance costs

In thousands of AUD

Recognised in profit or loss:

	2015	2014
Interest income	1,259	1,375
Dividend income	106	116
Fair value through profit or loss	1,124	1,699
Finance income	2,489	3,190
Interest expense	1,392	2,108
Finance expense	1,392	2,108
Net finance income recognised in surplus	1,097	1,082

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	1,259	1,375
Total interest expense on financial liabilities	1,392	2,108

12. Cash and cash equivalents

In thousands of AUD

	2015	2014
Bank balances	36,355	11,798
Bank balances - Sinking fund	2,808	1,671
Cash and cash equivalents in the statement of cash flows	39,163	13,469

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

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

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12. Cash and cash equivalents (continued)

12.1 Reconciliation of cash flows from operating activities

In thousands of AUD

	Note	2015	2014
Cash flows from operating activities			
Surplus / (Deficit) for the year		197,811	11,043
Adjustments for:			
Depreciation of property, plant and equipment	17	5,268	5,386
Amortisation of intangible assets	18	2,806	2,717
Dividend received		(106)	(117)
Share of equity accounted profit	14	(1,562)	(550)
Share of net assets of joint venture	14	(2,522)	-
Change in fair value of investment property	15	(10,311)	671
Unrealised gain on other investments		(1,124)	(1,700)
Loss on sale of property, plant and equipment		148	(214)
Interest receivable		-	(11)
Bequest receivable		49	(441)
Non-cash housing grant	7	-	(240)
Grant received under Camperdown Common Ground		(33,000)	-
NBESP stock transfer		(151,400)	(3,833)
Non-cash other expenses		428	-
Cash from operations before changes in working capital and provisions		6,485	12,711
Change in trade and other receivables	13	7,118	(1,278)
Change in prepayments		1,045	(960)
Change in trade and other payables	19	7,634	(2,315)
Change in employee benefits	22	(4,216)	760
Change in other assets		(1)	3
Change in deferred income		(38)	(4,144)
Deconsolidation of Many Rivers Microfinance Limited		1,171	-
Cash generated from operations		19,198	4,777

13. Trade and other receivables

In thousands of AUD

Current

Trade receivables	12,542	20,312
Other receivables	717	65
	13,259	20,377

Non Current

Subordinated notes in Goodstart Early Learning	3,366	6,731
Other non-current receivables	3,164	3,176
	6,530	9,907
	19,789	30,284

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

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14. Equity accounted investments

Working Links (Employment) Limited

In thousands of AUD

	2015	2014
Opening balance	10,690	10,140
Share of profit for the year	1,562	550
Investment in Working Links (Employment) Limited	12,252	10,690

Mission Providence Pty Ltd

In thousands of AUD

	2015	2014
Share of equity	4,496	-
Share of loss for the year	(1,974)	-
Investment in Mission Providence Pty Ltd	2,522	-
Total equity accounted investment in associates and joint venture	14,774	10,690

The Group's share of profit in its equity accounted investees for the year was \$1.5 million; (2014: \$0.5 million). In 2015, the Group has recognised share of equity of Joint Venture was \$2.5 million (2014: Nil)

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

<i>In thousands of AUD</i>	Ownership	Assets	Liabilities	Revenues	Profit (loss)
as at June 2015					
Working Links (Employment) Limited (associate)	33.3%	88,897	56,490	208,573	4,686
Mission Providence Pty Ltd	25.0%	10,992	904	363	(7,895)

as at June 2014

Working Links (Employment) Limited (associate)	33.3%	53,331	28,748	155,917	1,653
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Working Links (Employment) Limited is incorporated in the United Kingdom.

Mission Providence Pty Ltd has been incorporated as the legal vehicle for joint venture.

Significant influence

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

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

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14. Equity accounted investments (continued)

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

Such arrangement falls within the scope of AASB 11 *Joint Arrangement* which says that such arrangement have the following characteristics:

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

Accounting treatment of share of profit / loss for the year

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

15. Investment property

<i>In thousands of AUD</i>	Group owned Properties	Purchased from SHGF*	Received under NBESP**	Camperdown Common Ground	Total
Fair value	-----Restricted-----				
Balance at 1 July 2013	19,951	30,127	105,533	-	155,611
Purchased and capital expenditure	219	-	1	-	220
Received as stock transfer	248	-	3,833	-	4,081
Disposal	(431)	-	-	-	(431)
Change in fair value	(1,378)	3,721	(3,014)	-	(671)
Reclassification to asset held for sale	(8,900)	-	-	-	(8,900)
Balance at 30 June 2014	9,709	33,848	106,353	-	149,910
Balance at 1 July 2014	9,709	33,848	106,353	-	149,910
Purchased and capital expenditure	1,730	-	-	-	1,730
Received as stock transfer	-	-	151,400	33,000	184,400
Disposal	(328)	-	-	-	(328)
Change in fair value	249	2,810	7,252	-	10,311
Balance at 30 June 2015	11,360	36,658	265,005	33,000	346,023

* Social Housing Growth Fund

** Nation Building Economic Stimulus Plan

Refer to Note 7 – *Housing grants* for more background information on assets received under Nation Building Economic Stimulus Plan (NBESP).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

15. Investment property (continued)

15.1 Valuation methodology

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

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

15.2 Security

At 30 June 2015, investment property with a carrying amount of \$44.9 million; (2014: \$48.9 million) is subject to a mortgage to secure bank loans.

16. Investments

In thousands of AUD

Current investments

	2015	2014
Opening balance	15,989	14,382
Movement in fair value	1,023	1,607
Financial assets designated at fair value through profit or loss	17,012	15,989

The financial assets designated at fair value through profit or losses are equity securities managed by JB Were. Fair value represents the market value of the financial assets at balance date. The Group's exposure to credit and equity price risks related to other investments is disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

17. Property, plant and equipment

Cost or fair value	-- Fair Value --		-----At Cost-----				Total
	Land and buildings	Land and buildings - Aged Care	Leasehold Improvement	Plant and Equipment	IT Assets	Capital Work In Progress	
In thousands of AUD							
Balance at 1 July 2013	57,719	21,441	19,153	8,877	3,601	110	110,901
Additions (Includes reclassification from WIP)	-	-	2,205	985	904	746	4,840
Revaluation	(2,204)	-	-	-	-	-	(2,204)
Disposals	-	-	(1,743)	(486)	(2)	-	(2,231)
Balance at 30 June 2014	55,515	21,441	19,615	9,376	4,503	856	111,306
Balance at 1 July 2014	55,515	21,441	19,615	9,376	4,503	856	111,306
Additions (Includes reclassification from WIP)	-	-	2,242	303	668	307	3,520
Revaluation	(129)	-	-	-	-	-	(129)
Disposals	(6,180)	-	(7,922)	(2,729)	(1,719)	-	(18,550)
Balance at 30 June 2015	49,206	21,441	13,935	6,950	3,452	1,163	96,147
Depreciation and impairment losses	Land and buildings	Land and buildings - Aged Care	Leasehold Improvement	Plant and Equipment	IT Assets	Capital Work In Progress	Total
Balance at 1 July 2013	650	196	14,199	5,670	1,377	-	22,092
Depreciation	553	353	2,203	1,069	1,208	-	5,386
Off set upon revaluation	(515)	-	-	-	-	-	(515)
Disposals	-	-	(1,743)	(428)	(2)	-	(2,173)
Balance at 30 June 2014	688	549	14,659	6,311	2,583	-	24,790
Balance at 1 July 2014	688	549	14,659	6,311	2,583	-	24,790
Depreciation	273	353	2,385	1,020	1,237	-	5,268
Off set upon revaluation	(37)	-	-	-	-	-	(37)
Disposals	(49)	-	(7,649)	(2,506)	(1,426)	-	(11,630)
Balance at 30 June 2015	875	902	9,395	4,825	2,394	-	18,391
Carrying amounts	Land and buildings	Land and buildings - Aged Care	Leasehold Improvement	Plant and Equipment	IT Assets	Capital Work In Progress	Total
At 1 July 2013	57,069	21,245	4,954	3,207	2,224	110	88,809
At 30 June 2014	54,827	20,892	4,956	3,065	1,920	856	86,516
At 1 July 2014	54,827	20,892	4,956	3,065	1,920	856	86,516
At 30 June 2015	48,331	20,539	4,540	2,125	1,058	1,163	77,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

17. Property, plant and equipment (continued)

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

Land and buildings – Aged Care are valued at cost. The Group has changed its accounting policy, effective 1 July 2013, from fair value to historical cost for measurements of land and buildings purchased or constructed using government grants to provide aged cared services. *Land and buildings – Aged Care* include assets that have restricted revenue streams and their use is governed by the conditions under which the grant was provided by the government to purchase or construct the facility.

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

17.1 Security

At 30 June 2015, Land and buildings with a carrying amount of \$49.5 million; (2014: \$54.1 million) are subject to a mortgage to secure bank loans.

18. Intangible assets

Cost	Computer Software	Total
<i>In thousands of AUD</i>		
Balance at 1 July 2013	18,715	18,715
Acquisitions	1,964	1,964
Balance at 30 June 2014	20,679	20,679
Balance at 1 July 2014	20,679	20,679
Acquisitions	947	947
Disposals	(352)	(352)
Balance at 30 June 2015	21,274	21,274
Amortisation		
Balance at 1 July 2013	9,771	9,771
Amortisation for the year	2,717	2,717
Balance at 30 June 2014	12,488	12,488
Balance at 1 July 2014	12,488	12,488
Amortisation for the year	2,806	2,806
Disposals	(352)	(352)
Balance at 30 June 2015	14,942	14,942
Carrying amounts		
At 1 July 2013	8,944	8,944
At 30 June 2014	8,191	8,191
At 1 July 2014	8,191	8,191
At 30 June 2015	6,332	6,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

18. Intangible assets (continued)

Bed licence

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

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

19. Trade and other payables

In thousands of AUD

Current

Trade payables

Other payables and accrued expenses

Non current

Other payables and accrued expenses

2015	2014
7,360	15,364
30,940	15,302
38,300	30,666
7,255	5,156

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 leases.

20. Loans and borrowings

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

In thousands of AUD

Current liabilities

John Barnes Foundation

Bank loans

2015	2014
724	112
-	5,100
724	5,212

Non-current liabilities

John Barnes Foundation

Bank loans

-	724
16,500	16,500
16,500	17,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

20. Loans and borrowings (continued)

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2015		30 June 2014	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	4.5%	2015	-	-	5,100	5,100
Secured bank loan	AUD	5.0%	2018	16,500	16,500	16,500	16,500
Unsecured loan	AUD	8.4%	2015	724	724	836	836
Total interest-bearing liabilities				17,224	17,224	22,436	22,436

The Company has an \$11.0 million (2014: \$21.0 million) revolving cash advance and overdraft facility with its bankers. As at 30 June 2015, this facility remained unutilised (2014: Nil).

The bank loans are secured over land and buildings and investment properties with a carrying amount of \$94.4 million (2014: \$103.0 million).

21. Assets held for sale and related liability

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

22. Employee benefits

In thousands of AUD

Current

Liability for long service leave
Liability for annual leave

2015	2014
3,631	4,004
8,669	11,618
12,300	15,622

Non-current

Liability for long service leave

3,206	4,100
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23. Deferred income

Deferred income for the Group of \$22.1 million; (2014: \$22.1 million) classified as current consists of government grants received in advance for services to be rendered by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

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 \$329.4 million; (2014: \$133.7 million) in the current financial year. This consists of the following transactions/balances:

In thousands of AUD

	2015	2014
Opening balance	133,660	126,692
Fair value of properties received under NBESP	151,400	3,833
Fair value of properties received under Camperdown Common Ground	33,000	-
Surplus of housing entities recognised as restricted	11,389	3,135
	329,449	133,660

The Group has recognised an additional restricted accumulated surplus of \$195.8 million (2014: \$6.9 million) in the current financial year.

25. Operating lease

25.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

	2015	2014
Less than one year	16,909	23,965
Between one and five years	20,470	25,477
More than five years	3,640	6,267
	41,019	55,709

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 2015, the Group recognised \$27.3 million (2014: \$27.7 million) as an expense in the income statement in respect of operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

25. Operating lease (continued)

25.1 Leases as lessor (continued)

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

In thousands of AUD

	2015	2014
Less than one year	1,367	237
Between one and five years	523	-
More than five years	-	-
	1,890	237

During the year, \$16.8 million was recognised as rental income in profit and loss (2014: \$16.2 million).

25.2 Finance leases

The Group does not have any finance lease arrangements at 30 June 2015.

25.3 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to fulfil this obligation, Mission Australia Housing sets aside cash resources. Refer to Note 12 *Cash and Cash Equivalents* for details of cash set aside in the current financial year.

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

26. Capital commitments

In 2012, Mission Australia entered into a contract with Australian Government Department of Health and Ageing to construct an aged care facility in regional New South Wales. The funding of \$14.7 million will be provided by the Department of Health and Ageing over the period of construction. Initial \$1.0 million in Grant income was received in 2014.

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

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 10) is as follows:

In AUD

	2015	2014
Short-term employee benefits	1,862,178	2,971,137
Other long-term benefits	15,640	15,280
Post-employment benefits	180,039	259,934
Termination benefits	146,264	79,111
	2,204,121	3,325,462

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

28. Related parties (continued)

28.2 Individual Directors' compensation disclosures

Mr E Crouch works as a consultant in Allens, which provides Mission Australia with legal advisory services on normal commercial terms. He stepped down as Chairman of Allens in December 2012 and resigned as a partner of the firm on 31 January 2013. He remains a consultant to the firm. He is also a Director of Westpac Banking Corporation, which provides banking services to the Group on normal commercial terms.

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

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

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

29. Group entities

	Country of incorporation	2015 %	2014 %
Mission Australia	Australia	Parent	Parent
Controlled entities			
Mission Australia Early Learning	Australia	100	100
Mission Australia Housing	Australia	100	100
Mission Australia Housing (Victoria)	Australia	100	100
Sir David Martin Foundation	Australia	100	100
Many Rivers Microfinance Limited	Australia	-	100
Mission International (Dormant)	Australia	100	100
Mission Australia Foundation (Dormant)	Australia	100	100
Mission Australia Capital Fund Pty Ltd (Dormant)	Australia	100	100
Mission Australia Future Foundation Unit Trust	Australia	100	100

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

30. Subsequent events

There have been no events subsequent to the balance date which would have a material effect on the Group's financial statements at 30 June 2015.

31. Auditors' remuneration

<i>In AUD</i>	2015	2014
Audit and review services		
Auditors of the Company		
Audit and review of financial statements	237,200	246,480
Other Services		
Auditors of the Company	77,734	48,192

KPMG also provided audit services for approximately 250 (2014: 250) projects that require an audited acquittal statement by the funding bodies. The cost of the acquittal audit services provided by KPMG in 2015 was \$235,000 (2014: \$227,500). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

33. Fundraising information

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

Fundraising appeals conducted during the year

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

In thousands of AUD

Results of fundraising appeals

	2015	2014
(a) Gross proceeds from fundraising appeals	20,058	21,742
Less: direct costs of fundraising appeals	(4,537)	(4,671)
Net surplus obtained from fundraising appeals	15,521	17,071
(b) Application of net surplus obtained from fundraising appeals		
Community services expenditure	163,074	165,661
(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	136,173	138,250
Other income	11,380	10,340
(d) Comparisons of certain monetary figures and percentages		
Total costs of fundraising/	4,537	4,671
Gross income from fundraising	20,058	21,742
	22.62%	21.48%
Net surplus from fundraising/	15,521	17,071
Gross income from fundraising	20,058	21,742
	77.38%	78.52%
Total costs of services/	163,074	165,661
Total expenditure	347,676	340,686
	46.90%	48.63%
Total costs of services/	163,074	165,661
Total operating income received	358,565	354,169
	45.48%	46.77%

Gross proceeds from fundraising appeals for 2015 exclude bequests of \$7.0 million (2014: \$3.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES

30 JUNE 2015 ANNUAL FINANCIAL REPORT

34. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the Group was Mission Australia.

In thousands of AUD

Result of parent entity

	2015	2014
Profit for the period	3,864	4,392
Other comprehensive income	(92)	(1,689)
Total comprehensive income for the period	3,772	2,703

Financial position of parent entity at year end

Current assets	58,604	39,928
Non-current assets	103,308	118,198
Total assets	161,912	158,126
Current liabilities	66,961	69,604
Non-current liabilities	10,545	7,888
Total liabilities	77,506	77,492
Net assets	84,406	80,634
Total equity of the parent entity comprising of:		
Revaluation reserve	19,428	19,520
Retained earnings	64,978	61,114
Total equity	84,406	80,634

DIRECTORS' DECLARATION

MISSION AUSTRALIA AND ITS CONTROLLED ENTITIES 30 JUNE 2015 ANNUAL FINANCIAL REPORT

Directors' Declaration

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

- a) the consolidated financial statements and notes set out on pages 9 to 51 are in accordance with the with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) The directors draw attention to Note 2.1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

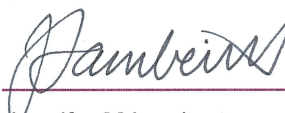
Signed in accordance with a resolution of the Directors:

Dated at Melbourne, 26 October 2015.



Ewen G W Crouch AM

President and Chairman



Jennifer M Lambert

Chair, Board Audit and Risk Committee

Chairman's Declaration

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

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

- a) the consolidated financial statements give a true and fair view of all income and expenditure of Group with respect to fundraising appeals; and
- b) the Consolidated *Statement of Financial Position* gives a true and fair view of the state of affairs with respect to fundraising appeals; and
- c) the provisions of the *Charitable Fundraising Act 1991 NSW*, the Regulations under the Act and the conditions attached to the fundraising authority have been complied with by Group; and
- d) the internal controls exercised by the Group are appropriate and effective in accounting for all income received and applied by the Group from any of its fundraising appeals.

Dated at Melbourne, 26 October 2015.



Ewen G W Crouch AM

President and Chairman

Independent audit report to the members of Mission Australia

Report on the financial report

We have audited the accompanying financial report of Mission Australia (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

Independence

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

Auditor's opinion

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

- (a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Reporting under Charitable Fundraising (NSW) Act 1991

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

In our opinion:

- (a) the financial report gives a true and fair view of Mission Australia and its controlled entities' financial result of fundraising appeal activities for the financial year ended 30 June 2015;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2014 to 30 June 2015, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- (c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2014 to 30 June 2015 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and



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

Reporting under Charitable Collections Act (WA) 1946

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

In accordance with the requirements of Section 15(2) of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* (the Act and Regulations), we have reviewed the Act and Regulations for the purpose of reporting whether, as a result of completing our audit procedures on the financial report of the Group for the year ended 30 June 2015, we have not become aware of any condition or event that constitute a material default by the Group in the performance of, or compliance with, any requirements of the Act or Regulations.

In our opinion, the Company, for the year ended 30 June 2015, has complied in all material respects with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947*.

KPMG

KPMG

Anthony Travers
Partner

Sydney

26 October 2015

Corporate Governance

Mission Australia exists to meet human need and to spread the knowledge of the love of God. In conducting our affairs and services to reduce homelessness and to strengthen communities across Australia the Board recognises its role in overseeing the determination and implementation of policies and processes that reflect good corporate governance that together with our Values inform and guide the organisation.

This corporate governance statement demonstrates Mission Australia and its corporate controlled entities Mission Australia Housing, Mission Australia Housing (Victoria) and Mission Australia Early Learning (**Mission Australia Group**) are committed to proper and effective corporate governance arrangements. We constantly seek to maximise efficiency and effectiveness of our operations, while continuing to place our clients at the centre of everything we do.

Each Mission Australia Group company, as a registered charity regulated by the Australian Charities and Not-for-profits Commission (**ACNC**), applies the ACNC Governance Standards.

Although we are not required to do so we are guided by the Corporate Governance Principles and Recommendations established by the Australian Stock Exchange (ASX) Corporate Governance Council. Whilst these principles were developed for listed companies, we seek to apply them where it is practicable and relevant to do so, in conjunction with the ACNC Governance Standards, in recognition of the scale of our business operations, program contractual commitments to good governance and stakeholder expectations.

Governance Standard 1—Purpose and not-for-profit nature of a registered entity

Mission Australia was established in 1859 for public benevolent and charitable purposes and is constituted to provide direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness of people in Australia. Throughout our history our founding purpose as set out in our Constitution has remained central:

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 any other distinction.

We seek out others that share our vision, working alongside them to create a better future. We stand together with Australians in need, until they can stand for themselves.

Mission Australia Housing and Mission Australia Housing (Victoria) were founded by Mission Australia for the public charitable purposes of providing relief of poverty, sickness, destitution, helplessness and distress to people with low incomes by the provision of high quality housing solutions that enables Australians in need, to participate in their communities.

Mission Australia Early Learning was founded by Mission Australia for the purpose of providing relief of poverty, sickness, destitution, helplessness and distress with a focus on assisting families with young children through the provision of child care in a setting that where possible integrates child care with a range of broader strategies to support both children and families to overcome barriers. We provide high-quality early learning services to enrich each child's learning potential and recognise and support their unique social, emotional, physical and intellectual needs. Services are child-centred, family focused and connected to the community.

Governance Standard 2—Accountability to members

(Respect the right of members and other stakeholders and make timely and balanced disclosure)

Mission Australia has members and other stakeholders. The Board is accountable to the members for the conduct of Mission Australia's affairs and the pursuit of our founding purpose and objectives as set out in the Constitution. Mission Australia is the sole member of Mission Australia Housing, Mission Australia Housing (Victoria) and Mission Australia Early Learning.

Each year members of Mission Australia receive notice of the Annual General Meeting where the full financial report is presented to members together with an Annual Report and Directors are elected. 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. Outside of the Annual General Meeting members are able raise matters of concern directly with the Chairman, the CEO, the CFO and Company Secretary. Our financial statements for the Mission Australia Group are lodged with and are publicly available at the ACNC, and our Annual Report is available on our website.

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

Mission Australia has more than 200 services that are required to comply with external service Standards prescribed in funding deeds. For many of these, Mission Australia's compliance with the Standards is independently audited as part of an accreditation process. In some cases, Mission Australia must achieve accreditation in order to gain a Licence to operate the service. These standards require organisations to evidence good governance and a commitment to quality, including complaints management processes.

Mission Australia maintains a public website www.missionaustralia.com.au and through this website and other communication channels we communicate to the public and our other stakeholders about various activities, performance and services of the Mission Australia Group.

Governance Standard 3—Compliance with Australian laws

(Act ethically and responsibly)

We recognise that as registered entities under the Australian Charities and Not-for-profits Commission Act 2012 (**ACNC Act**) the Mission Australia Group must comply with Australian laws. As a not-for-profit company limited by guarantee each Mission Australia Group company is registered under the Corporations Act 2001 which continues to apply but in a form modified by the ACNC Act. In accordance with the ACNC Act, the ACNC is the lead regulator and the ACNC Act is the main law applicable to us in relation to corporate governance. Each Mission Australia Group company holds tax endorsements and concessions and are therefore also subject to the Income Tax Assessment Act.

Within the Mission Australia corporate governance framework, Mission Australia Housing and Mission Australia Housing (Victoria) as part of its commitment to good standards of corporate governance also seeks to meet or exceed the National Community Housing Standards and comply with the National Performance Standards. Each Mission Australia Group company has access to shared governance and management resources of Mission Australia and benefits from the Mission Australia Board Committees.

All Directors have been briefed about their duties as "responsible entities" under the ACNC Act.

Governance Standard 3—Compliance with Australian laws (continued)

The Board strives to lead by example when it comes to acting ethically and responsibly and specifically charges management with the responsibility for creating a culture which promotes ethical and responsible behaviour. The Mission Australia Code of Conduct and our Values apply to the Boards, management and staff of Mission Australia Group. It specifies behavioural standards necessary to maintain confidence in Mission Australia's integrity and can be accessed at our website. Understanding the Code of Conduct and our Values is an integral part of induction programs for Directors and staff and are regularly reminded of the necessity to preserve these Values and expectations. All 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.

The Mission Australia Group has adopted the Mission Australia ethics policy suite including a Whistle-blower Policy, Conflict of Interests Policy, Gifts and Benefits Policy and a Fraud Control and Corruption Prevention Policy. Through these policies we seek to uphold our good reputation and aim to safeguard our staff and our clients, many of whom are vulnerable. They are designed to reinforce a culture in which honesty, integrity and business ethics are a part of everyday behaviour. Each of these policies and details of the Integrity Hotline, which is available to receive reports of possible wrongdoing and unethical practices, are displayed on our website.

The Statement of Enterprise Ethics sets out ethical expectations for people who work for Mission Australia Group as well as the ethical expectations for those working with us.

Support and protection for speaking up about wrongdoing is available to staff, volunteers, contractors, suppliers and clients. Commitment to protection is demonstrated through the Whistleblower Policy and the appointment of Whistle-blower Governance officers and protection officers who are independent of the area subject to any inquiry. We are committed to protecting and respecting the rights of any person who reports improper conduct in good faith.

The Conflict of Interests Policy requires anyone with a conflict of interest to declare it and step outside the decision-making process. Conflicts of interests and conduct are also specifically mentioned in the Mission Australia Board Corporate Governance Charter. Processes are in place for the Mission Australia Group to manage related party transactions and third party contestable transactions.

A Fraud Control and Corruption Prevention Policy addresses fraud and dishonesty prevention systems and procedures. A Fraud Control Strategy identifies systems and processes that contribute to prevention, detection and responses to fraud.

Governance Standard 4—Suitability of responsible entities

(Structure the Board to add value, Remunerate fairly and responsibly)

Board composition

Each Board has an appropriate balance of skills, knowledge, experience and diversity to enable them individually and collectively to exercise their judgment to discharge their duties and responsibilities effectively. We acknowledge that our Directors are "responsible entities" under the ACNC Act and that they must not be persons disqualified from managing a corporation or disqualified by the ACNC from being a responsible entity.

The profile of each Mission Australia Director is available on our website and included in the Annual Report. The Mission Australia Board members, including the Chairman are Independent Non-Executive Directors elected by Mission Australia's members. Mission Australia's Constitution requires no less than 6 and no more than 12 Directors. There are usually 9 Directors. The Board Corporate Governance Charter requires the Board to assess whether each Director is sufficiently independent. Each Director supplies the Chairman with all the necessary, requested information that may be relevant to this assessment.

Governance Standard 4—Suitability of responsible entities (continued)

Board composition (continued)

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 CEO, can be the Chairman or a Director on the Board of Mission Australia, although they may be Directors of controlled entities of Mission Australia.

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 evaluates its own performance at least every 3 years through an external review process Mission Australia Housing and Mission Australia Housing (Victoria) Board and Directors also undergoes a board evaluation process with an external review taking place in 2015.

Board Chairman

The Board Chairman's role is articulated in the Board Corporate Governance Charter. The Chairman has primary responsibility of ensuring the integrity of Board processes. 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.

Board Committees

The Board has delegated some of its functions to Board Committees, details of which are available on our website:

- Board Audit and Risk Committee
- Nomination Remuneration and Succession Committee
- Service Impact Committee

Independent Advice

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.

Remunerate fairly and responsibly

Non-executive Directors serve on a voluntary basis and do not receive remuneration, although reasonable expenses incurred in the course of carrying out their duties as directors may be reimbursed such as travel, accommodation and meals. There are no Executive Directors on the Board of Mission Australia.

The Board Nomination, Remuneration and Succession Committee is responsible for recommendations to the Board regarding remuneration and other terms and conditions for the CEO and senior executives. The Committee assists the Board with Board succession planning including reviewing the composition of the Boards with the objectives that each Board is composed of Directors who have the skills and experience to fulfil their obligations with diligence and judgement. The Committee members are all Independent Non-Executive Directors. The Committee consults informally during the year and meets at least twice on a formal basis.

We recognise that people who work for Mission Australia usually demonstrate a high level of concern for the disadvantaged, have a strong social conscience and a passionate loyalty to clients. We strive to build practises which will attract retain and motivate high quality senior executives and staff and to align their interests with the Mission Australia purpose.

Mission Australia has a dedicated team of chaplains motivated by our founding purpose to share God's love and meet human need who support our staff through the significant challenges of working with some of Australia's most disadvantaged people. We offer an employee assistance program, a free and confidential counselling service to improve health and wellbeing.

Governance Standard 4—Suitability of responsible entities (continued)

Diversity

Maintaining a diverse and inclusive workplace is important to Mission Australia. The principles of equal opportunity for women, and other groups in our community, are well aligned with our Values.

Interview guides for potential new staff are designed to ensure all applicants are assessed on a level playing field, based on their competencies and not gender or background. A significant proportion (up to 80%) of our workforce is women in middle management, administrative and clerical staff. On average 50% of our senior management are women. Women represent 33% of our Board members.

Governance Standard 5—Duties of responsible entities

(Solid foundations for management and oversight, Recognise and manage risk, Safeguard integrity in financial reporting)

Foundations for management and oversight

The role of the Board is to ensure Mission Australia has in place a governance framework which ensures we are operating legally, ethically and responsibly in fulfilling our founding purpose and objectives.

The role of the Board is summarised in the Board Corporate Governance Charter which can be viewed at our website.

It includes:

- Providing strategic guidance for the Mission Australia Group and effective oversight of management;
- Establishing the functions reserved to the Board and those delegated to the CEO;
- Appointing the CEO, approving succession plans, monitoring and evaluating the performance of the CEO 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 Mission Australia Group 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 CEO;
- Approving Mission Australia's annual budget and financial statements;
- Formulating Mission Australia's strategic plan together with the CEO and executive 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 Committees to oversee particular aspects of Mission Australia's operations and administration in areas such as finance, audit, risk, service evaluation and review, Board nominations and executive remuneration. Each Board Committee operates under approved charters that are reviewed and updated from time to time as required;
- 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;

Governance Standard 5—Duties of responsible entities (continued)

- 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 CEO and executive management. A schedule of delegated authority sets out staff decision-making responsibilities and financial contractual thresholds for appropriate levels throughout Mission Australia.

Safeguarding integrity in financial reporting

A Board Audit and Risk Committee is established with three 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, CEO, CFO and head of Enterprise Risk and Assurance have a standing invitation to attend meetings but are not members of the Committee and cannot chair the Committee or vote.

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.

Under its Charter, the Internal Assurance function reviews the effectiveness and efficiency of Mission Australia's operations and management control environment, and works collaboratively with management on potential improvements.

Recognising and managing risk

Mission Australia is committed to an organisational culture that enables us to achieve our strategic objectives through appropriate management of risk. We also understand that commitment from all levels of the organisation is required to demonstrate behaviours which are consistent with a risk-conscious culture. All staff have a role to play, and are made aware of that role, in achieving our strategic objectives.

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 workplace health and safety issues in the Mission Australia Group and considering appropriate WHS reports and information.

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

Governance Standard 5—Duties of responsible entities (continued)

Recognising and managing risk (continued)

Mission Australia has identified its key risks. These include:

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

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

We understand there will always be risk associated with the provision of human services and that the risk management framework, model and practices must be tailored accordingly. 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.

Mission Australia has an internal audit function which provides assurance to senior management and the Board that controls are operating and effective. Internal Audits are completed on the basis of assessed risk in the areas of finance, safety, information technology and compliance with contracts and regulations.

Each Mission Australia Group company has adopted the Mission Australia risk management framework and processes approved by the Mission Australia Board.

Mission Australia is dedicated to social responsibility in the very nature of its activities and is conscious of its environmental impact. Mission Australia is not subject to any significant environmental legislation.