House with No Steps

ABN 31 001 813 403

Financial report
For the year ended 30 June 2017

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DIRECTORS' REPORT

The directors present their report together with the financial report of House with No Steps for the year ended 30 June 2017 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors names

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

Richard Madden - Chair

John Diddams - Deputy Chair

Andrew Richardson - Managing Director

Pip Friedrich (Retired 31 October 2016)

Dearne Cameron

Leanne Dreves

Nicolas Stuart (Resigned 16 December 2016)

Maura Boland

Sandie Angus (Appointed 20 March 2017)

Samantha Male (Appointed 20 March 2017)

Don McPhail (Appointed 20 March 2017)

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

Principal activities

The principal activity of the organisation during the year was the provision of support services to people with a disability, their families and carers.

No significant change in the nature of these activities occurred during the year.

DIRECTORS' REPORT

Review of operations

House with No Steps' Vision, Values and Purpose were unchanged in 2016/17, reflecting the organisation's long-standing exclusive focus on supporting people with a disability and upholding their human rights.

Vision: Inclusive communities which respect, value and empower all people with disability

Values: Empowerment, Respect, Inclusion, Commitment and Achievement

Purpose: We help people with a disability live a great life**.**

2016/17 was the first year of House with No Steps' 3-year 2016-19 IMPACT Plan. We made strong progress executing the strategic initiatives set out in that plan. The highlights include:

Innovation

- Industry-leading strategic innovation program established, with a 3-year funding commitment to systematically address strategic risk
- Strategic option portfolio development under way, with 3 options designed

Market strength

- 10% growth to 3,600 customers
- 14% revenue growth $171.5m
- Successful tender to take over NSW government specialist disability services in all five service groups contested (Sydney, Illawarra/Shoalhaven, Southern NSW, Northern NSW, and New England). We are in the late stages of intensive transition planning and preparation
- Horizon Early Childhood Intervention in Tamworth & Interchange Northern in Melbourne welcomed into the HWNS "family"

People

- HWNS awarded NSW Large Employer of the Year in September 2016 at the NSW Training Awards
- Organisational restructure for the NDIS environment with excellent staff and union engagement and support
- Strong and stable executive team in place, leading across multiple major projects

Accountability

- $4.2m net profit
- Reconciliation Action Plan developed and launched
- New performance development and management processes developed

Customers

- Further improvements in customer outcomes, evidenced by Personal Outcome Measures (POMs)
- Integrated Support Framework developed and launched to guide staff in providing consistent services to customers across HWNS
- Research investments in Person-Centred Active Support, complex behaviour frameworks and trauma-informed practice
- Inaugural HWNS Human Rights Conference held in December 2016

- 1,243 staff received accredited customer service training.

Transformation

- Chief Transformation Officer appointed
- Business technology strategy executed, with a focus on process simplification and automation for the National Disability Insurance Scheme (NDIS) environment.

Financial performance

Total HWNS revenues grew by 14% [2016: 9%] to $171.5m [2016: $150.8m] with a net profit of $4.2m [2016: $3.0m]. The result benefited from increased bequests, profit on the sale of property, capital gains and auspice proceeds. Total operating costs increased 13%.

Total comprehensive income was $3.6m [2016: $6.8m].

Net assets increased by $3.6m to $45.9m [2016: $42.3m].

Support Services

Support Services revenue from governments and customers increased by 13% to $134.1m, [2016: $118.8m]. NDIS revenue for service provision to participants in NSW, ACT, Queensland and Victoria more than tripled to $36.9m, 31% of total Support Services revenue.

NSW/ACT accounted for 77% [2016: 76%] of Support Services revenue and Queensland 23% [2016: 21%]. Operations were conducted at over 200 HWNS sites across NSW, the ACT, Queensland and now Victoria, and in a variety of other community settings.

The full year net profit of $3.7m [2016: $0.7m] included auspice proceeds of $1.3m [2016; $0.8m]. The auspice proceeds were received from the merger with Interchange Northern and Horizon Early Childhood Intervention Services in Tamworth. A capital grant of $0.9m from the Queensland Government for the construction of a purpose-built 5 unit facility for people with high support needs in Logan was also taken up at year-end because the building was ready for occupation .

The underlying net results for Support Services was $1.5m [2016: ($0.1m)]. The improved performance occurred mainly because of a 0.5% proportional reduction in total labour costs with the greater savings occurring in NSW and the ACT. Other overheads were also proportionally lower. The larger savings were in consultants costs and staff expenses.

Businesses

It was a challenging year for our portfolio of businesses that employ people with a disability. The businesses recorded a full year net loss of $1.2m on revenues of $26.3m. Last year's result was a net profit of $0.3m.

489 people with significant disability were directly employed by our businesses at 30 June 2017, with a further 64 people engaged in HWNS Employment Solutions programs.

Net profits for HWNS Facility Services and Summerland House Farm were in line with last year's solid results. Our other businesses recorded net losses due to lower sales, reduced gross profit margins and one-off costs associated with a major capital upgrade of our commercial laundry in Warabrook.

Supported employment continues to be highly valued by our employees, but remains a challenging business model due to high intrinsic costs and competitive markets.

Fundraising

Fundraising revenue at $4.3m was $0.7m higher than the prior year. Raffle ticket sales and donations respectively contributed $1.5m [2016: $1.6m] and $2.8m [2016: $2.1m]. HWNS' digital fundraising event "For Fitness' Sake" was again held in March 2017. Donation income from the event was $0.2m. Investment in donor acquisition programs continued in 2016/17, with 5,382 new donors acquired. A new 3-year fundraising strategy was endorsed by the board in December 2016.

Education and Training

Revenue, mainly from government funding in 2016/17, covered only 30% of Education and Training's operating costs. Training charges to other departments ensured a break-even result at year end. There were 3,000 training enrolments in 2016/17, with 43% being for the accredited Customer Service training.

Shared Services

Shared Services costs were $1.8m higher than 2015/16, but 8% lower than planned. All costs were allocated to the operating divisions and are included in the above segment results, except for $0.9m. Of this amount $0.4m related to the Strategic Innovation function and $0.5m was incurred in preparing the successful tender for the 5 Specialist Disability Service groups and other market growth initiatives.

Shared Services costs increased as we invested in quality and practice, established a central customer enquiries function, increased skills and capability within People, Learning and Culture, incurred higher mobile phone costs as work practices change at HWNS and engaged consultants to assist with strategy development.

Investments and Other Income:

Interest income from cash deposits and dividend income from our investment portfolio totalled $0.7m [2016: $1.0m]. Average funds on deposit decreased in 2016/17 as the transition to the NDIS continued to impact working capital. NDIS payments for services are made in arrears, whereas the state government funding being replaced was paid quarterly or monthly in advance. The market value of our investment portfolio improved marginally at year end.

Other income of $1.5m [2016: $0.9m] was received, being the net gain on the disposal of two properties in NSW, net loss on the disposal of plant and equipment and net profit on sale of equities in our investment portfolio.

Cash

Net cash from operating activities was $6.4m, $1.8m higher than 2015/16. Net cash from operating activities increased mainly due to continuing improvement in the time taken to collect trade receivables.

Proceeds from property, plant and equipment sales increased cash by $0.3m. Listed company share portfolio sales totalled $0.9m. We continued to invest in property, plant and equipment, including a major upgrade to the laundry at Warabrook, donor acquisitions and the listed company share portfolio. These investments reduced cash by $11.1m Dividend income was $0.2m. Overall, cash decreased by $3.3m to $16.2m [2016: $19.5m].

General outlook

The roll-out of the NDIS is changing the shape of the 'market' for disability support services in Australia. The NDIS remains a welcome and necessary social reform that is facilitating largely positive outcomes for participants. However, poor planning processes, flawed systems and unrealistically low “one size fits all” commoditised pricing models are stifling innovation and not producing the anticipated benefits for participants and workers.

With the NDIS having now passed the 100,000 participant milestone, 2017/18 is a critical year for the National Disability Insurance Agency to address these flaws and so ensure that participants are able to source support from quality-focused, for-purpose organisations like HWNS for many years to come. We will continue to lobby for this outcome.

Within this context, our 2016-19 IMPACT Plan initiatives will continue to position HWNS as a modern, streamlined, for-purpose organisation that has strong and positive impact in the lives of many thousands of people with a disability, their families and carers.

We are pleased by House with No Steps’ progress on this transformational journey over the past several years. We look forward to the future with confidence.

Financial outlook

Our budget for the second year of our 2016-19 IMPACT Plan includes costs to progress IMPACT plan initiatives and improvements in profitability as benefits accrue from the Fit-For-Purpose and Business Process Transformation projects.

In 2017/18, total revenue is budgeted at $247m, 43% higher than 2016/17 total revenue. Revenue growth is largely attributable to the takeover of 5 specialist disability service groups from the NSW Government. The service groups transition on 5 October 2017 with total revenue budgeted at $68m for this period.

We expect to record a modest net profit in 2017/18, with improved performance in existing business lines offset by initial losses arising from the takeover of NSW Government specialist disability services.

Vale Shirley White OAM

Directors and staff noted with sadness the passing in June 2017 of long-serving former CEO, Shirley White OAM. We extend our sympathy to Shirley’s family. Shirley joined HWNS in 1964 and served as CEO from 1989 until her retirement in 2006. Shirley was instrumental in House with No Steps’ growth and development over this extended period and remained a great supporter of the organisation.

Information on directors and company secretary

Richard Madden	Chair
Qualifications	BSc, PhD, FIAA, PSM
Experience	Appointed March 2006 and elected Chair in November 2010. Extensive record in public administration, including a period in charge of the Federal Government's disability services programs. Dr Madden is a Fellow of the Institute of Actuaries of Australia. His awards include the ACROD President's Service Award.
Special responsibilities	Chair of the Nomination and Remuneration Committees, Member of the Audit & Risk Committee, FACS SDS Transfer Committee, and ex-officio member of the Human Rights Committee.
John Diddams	Deputy Chair
Qualifications	BCom, FCPA, FAICD
Experience	Appointed October 2009 and elected Deputy Chair in October 2013. Over thirty years' financial and management experience as CFO, CEO and/or director of both private and public listed companies. Principal of CPA firm that assists SME companies to raise capital and list on ASX.
Special responsibilities	Member of the Remuneration Committee.
Andrew Richardson	Managing Director and CEO
Qualifications	BSc, LLB, MBA, FAIM, FAICD
Experience	Appointed June 2006. Over twenty years' senior executive experience. Involved for many years with organisations that provide services to people with a disability, both as a volunteer and parent.
Special responsibilities	Member of the Nominations Committee, member of FACS SDS Transfer Committee, and ex-officio member of the Human Rights Committee.
Maura Boland	Director
Qualifications	BSc (Hons), Grad Dip Comm Mgt, MAppSc (Comm Mgt), Grad Cert Mgt, GAICD
Experience	Appointed 26 October 2015. Maura has over 20 years' experience as an executive in the NSW public service, including over 10 years as a deputy director-general/deputy chief executive in human services. She is currently Director of The Insight Partnership, a management consultancy specialising in collaboration for strategic results in areas of positive social and environmental impact.
Special responsibilities	Co-Chair of the Human Rights Committee, and Chair of FACS SDS Transfer Committee
Dearne Cameron	Director
Qualifications	BA, Grad.D in Human Rights, M.Mgmt, MBA, FAIM, FAMI(CPM), FAICD
Experience	Appointed October 2011. Has many years' experience as a senior manager and non-executive director, in corporate and not-for-profit organisations. She is the CEO of Pareto, a direct response organisation, working with charities; helping to make the world a better place. Dearne is also a Director of The Accountancy Practice.
Special responsibilities	Member of the Audit & Risk Committee.

Information on directors and company secretary (Continued)

Leanne Dreves	Director
Qualifications	BCom, CPA, GAICD
Experience	Appointed October 2013. Has extensive financial experience in accounting, governance and leadership. She is currently CFO for not-for-profit organisation, Act for Kids. She has a long association with HWNS serving on the former Queensland and Southern NSW Regional Advisory Boards.
Special responsibilities	Chair of the Audit & Risk Committee, and member of Remuneration Committee.
Sandie Angus	Director
Qualifications	LLB, GAICD
Experience	Appointed March 2017. Sandie is an experienced executive leader, with significant governance, legal and risk management expertise. She is admitted as a solicitor and has over thirty years' experience working in law firms and then in the government finance and electricity sectors.
Special responsibilities	Member of FACS SDS Transfer Committee
Samantha Male	Director
Qualifications	BSC (Hons), MBA
Experience	Appointed March 2017. Samantha has a deep understanding of the community housing sector, with experience at senior management and Board level, across the UK and Australia. She has a detailed and proven track record of delivery, leading teams and embedding a customer service culture within organisations. She now lives in rural Australia on an avocado farm and runs her own business: Trail Quest.
Special responsibilities	Member of the FACS SDS Transfer Committee
Don McPhail	Director
Qualifications	BE (Hons), CPEng, RPEQ
Experience	Appointed March, 2017. Don has worked in Australia, and abroad, managing functional strategy in a changing industry, with a focus on increased customer choice and adapting to disruptive technology. He has worked in volunteer leadership capacity on industry and academia steering committees and boards.
Special responsibilities	Member of Audit & Risk Committee
Catherine Morrow	Company Secretary
Qualifications	BEc, CA
Experience	Joined HWNS in July 2012 as Executive General Manager, Finance Infrastructure and Information Technology. A revised organisational structure in December 2014 saw Catherine's position change to Chief Financial Officer. She previously held senior roles in the commercial sector in both ASX listed and multinational companies. Her industry experience includes mining services, manufacturing, publishing equipment hire and financial services.

DIRECTORS' REPORT

Information on directors and company secretary (Continued)

Kim Parish	Company Secretary
Qualifications	BA, MBA, Chartered Fellow Institute of Personnel & Development, Fellow Australian Human Resources Institute, Fellow Institute of Leadership & Management
Experience	Joined HWNS in March 2016 as Executive General Manager, People Learning and Culture. She previously held executive HR roles in the commercial sector in UK including a FTSE 50 company as well as the CEO position for a substantive UK charity. Her industry experience includes education, health, and FMCG.

Meetings of directors

Directors	Board meetings		Audit & Risk Committee meetings		Human Rights Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R C Madden	8	7	5	4	*	*
J F Diddams	8	7	5	2	-	-
A D Richardson	8	7	-	-	*	*
P J Friedrich (Retired 31 October 2016)	2	1	-	-	1	1
D L Cameron	8	6	5	5	-	-
L M Dreves	8	6	5	5	-	-
N C A Stuart (Resigned 16 December 2016)	5	5	-	-	2	2
M C Boland	8	8	-	-	4	4
S K Angus (Appointed 20 March 2017)	2	2	-	-	-	-
S J Male (Appointed 20 March 2017)	2	2	-	-	-	-
D W A McPhail (Appointed 20 March 2017)	2	2	-	-	-	-

* ex - officio member

DIRECTORS' REPORT

Directors	Nomination Committee meetings		FACS SDS Transfer Committee meetings		Remunerations Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R C Madden	1	1	3	2	1	1
J F Diddams	-	-	-	-	1	1
A D Richardson	1	1	3	3	-	-
P J Friedrich (Retired 31 October 2016)	-	-	-	-	-	-
D L Cameron	-	-	-	-	-	-
L M Dreves	1	1	-	-	1	1
N C A Stuart (Resigned 16 December 2016)	-	-	-	-	-	-
M C Boland	-	-	3	3	-	-
S K Angus (Appointed 20 March 2017)	-	-	3	3	-	-
S J Male (Appointed 20 March 2017)	-	-	3	3	-	-
D W A McPhail (Appointed 20 March 2017)	-	-	-	-	-	-

Auditor's independence declaration

A copy of the auditor's independence declaration under section 60-40 of the Australian Charities and Not-for- profits Commission Act 2012 in relation to the audit for the financial year is provided with this report.

DIRECTORS' REPORT

Members' liability

House with No Steps is a company limited by guarantee and in accordance with the Constitution the liability of members in the event of House with No Steps being wound up during the time, or within one year after he or she is a member, would not exceed one dollar ($1) per member towards meeting any outstanding obligations of the organisation. At 30 June 2017 the total amount that members are liable to contribute if House with No Steps is wound up is $22 [2016: $19].

Signed on behalf of the board of directors.

Director:

Richard Madden

Dated this 5th day of October, 2017

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF HOUSE WITH NO STEPS

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

R M SHANLEY
Partner

PITCHER PARTNERS
Sydney

Date: 5 October 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue and other income			
Revenue	5	169,995,405	149,884,171
Income	5	1,514,766	886,721
	5	171,510,171	150,770,892
Less: expenses			
Employee benefits expense		(127,694,045)	(112,649,386)
Occupancy expense		(11,217,369)	(9,584,699)
Motor vehicle expenses		(4,485,332)	(4,184,506)
Changes in inventories of finished goods and work in progress		(102,383)	(119,729)
Materials and consumables used		(3,867,096)	(3,731,441)
Depreciation and amortisation expense	6	(3,717,521)	(3,056,102)
Technology expenses		(2,666,447)	(2,372,425)
Repairs and maintenance expense		(2,094,872)	(1,865,947)
Professional fee expenses		(3,174,423)	(2,784,212)
Sales and marketing expenses		(1,420,888)	(1,349,257)
Finance costs		(1,688)	(3,163)
Other expenses		(6,866,962)	(6,062,894)
		(167,309,026)	(147,763,761)
Profit before income tax expense		4,201,145	3,007,131
Income tax expense		-	-
Net profit from continuing operations		4,201,145	3,007,131
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of property, plant and equipment, net of tax		(635,545)	3,953,134
Items that may be reclassified subsequently to profit and loss			
Change in fair value of available-for-sale financial assets, net of tax		18,003	(133,241)
Other comprehensive income for the year		(617,542)	3,819,893
Total comprehensive income		3,583,603	6,827,024

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	8	16,143,728	19,449,626
Trade and other receivables	9	9,851,982	4,591,666
Inventories	10	891,376	993,759
Other assets	11	5,753,389	2,755,354
Total current assets		32,640,475	27,790,405
Non-current assets			
Biological assets	12	667,700	470,209
Other financial assets	13	4,426,663	4,002,283
Intangible assets	14	2,564,369	1,689,967
Property, plant and equipment	15	34,914,921	32,914,072
Total non-current assets		42,573,653	39,076,531
Total assets		75,214,128	66,866,936
Current liabilities			
Trade and other payables	16	8,854,178	5,787,955
Borrowings	17	10,000	-
Provisions	18	12,063,245	10,170,569
Other liabilities	19	6,911,940	7,099,864
Total current liabilities		27,839,363	23,058,388
Non-current liabilities			
Borrowings	17	-	10,000
Provisions	18	1,497,058	1,504,444
Total non-current liabilities		1,497,058	1,514,444
Total liabilities		29,336,421	24,572,832
Net assets		45,877,707	42,294,104
Funds and reserves			
Reserves	20	8,669,327	9,286,869
Accumulated profit	21	37,208,380	33,007,235
Total funds and reserves		45,877,707	42,294,104

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Reserves $	Accumulated profit $	Total funds and reserves $
Balance as at 1 July 2015		5,466,976	30,000,104	35,467,080
Profit for the year		-	3,007,131	3,007,131
Revaluation of property, plant and equipment, net of tax		3,953,134	-	3,953,134
Change in fair value of available-for-sale financial assets, net of tax		(133,241)	-	(133,241)
Total comprehensive income for the year		3,819,893	3,007,131	6,827,024
Balance as at 30 June 2016		9,286,869	33,007,235	42,294,104
Balance as at 1 July 2016		9,286,869	33,007,235	42,294,104
Profit for the year		-	4,201,145	4,201,145
Revaluation of property, plant and equipment, net of tax		(635,545)	-	(635,545)
Change in fair value of available-for-sale financial assets		18,003	-	18,003
Total comprehensive income		(617,542)	4,201,145	3,583,603
Balance as at 30 June 2017		8,669,327	37,208,380	45,877,707

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Cash flow from operating activities			
Receipts from government departments, customers and fundraising		175,846,574	159,251,581
Payments to suppliers and employees		(169,982,881)	(155,369,334)
Interest received		488,135	759,499
Finance costs		(1,688)	(3,163)
Net cash provided by operating activities	22(b)	6,350,140	4,638,583
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		268,712	-
Proceeds from sale of available-for-sale assets		905,990	389,382
Proceeds from sale of other non-current assets		-	1,339,728
Payment for property, plant and equipment		(8,383,640)	(3,671,111)
Payment for available-for-sale assets		(1,173,743)	(480,468)
Payment for intangible assets		(1,512,376)	(674,689)
Dividends received		239,019	261,415
Net cash provided by / (used in) investing activities		(9,656,038)	(2,835,743)
Reconciliation of cash			
Cash at beginning of the financial year		19,449,626	17,646,786
Net increase / (decrease) in cash held		(3,305,898)	1,802,840
Cash at end of financial year	22(a)	16,143,728	19,449,626

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial report covers House with No Steps as an individual entity. House with No Steps is a organisation limited by guarantee, incorporated and domiciled in Australia. House with No Steps is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The following are the significant accounting policies adopted by the organisation in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Revenue

Revenue from sale of goods is recognised at the time of delivery of the goods to the customer.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Donations, bequests and auspice are recognised at fair value.

Fundraising revenue for raffles which have not been drawn at balance date is brought to account as accrued revenue.

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is measured in accordance with the effective interest method.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Contributions

A non-reciprocal contribution or grant is recognised when the entity obtains control of the contribution or grant and it is probable that the economic benefits will flow to the entity, and the amount of the contribution or grant can be measured reliably.

If conditions attached to the contribution or grant that must be satisfied before the entity is eligible to receive the contribution, recognition of contribution or income is deferred until those conditions are met.

Where contributions are provided for the acquisition of property, plant and equipment with specific conditions on use of the asset, if the organisation ceases to use the asset for the purpose approved by the funding body it may have to return the asset or pay an amount in recognition of the funding body's interest in the asset. Recognition of a liability, de-recognition of an asset or identification of a separate component of equity occurs only when an event has occurred which will result in a probable future outflow of resources which can be reliably measured.

This accounting policy is consistent with the organisation's continued use of all funded assets for the purposes for which they were acquired or for an alternate purpose (subject to authorisation from the funding body) and with the organisation's expectation that it will continue to enjoy the use of these assets in the future. The organisation has received no communication from any funding body of any claim against its equity interests and has not disposed of any of the funded assets without notifying the relevant funding body.

A reciprocal contribution, where the organisation is obliged to give directly approximately equal value to the contributor, recognition of the contribution is deferred until the delivery of service.

(d) Income tax

The organisation is registered under the *Charitable Fundraising Act 1991* and is endorsed as an income tax exempt charitable entity under Subdivision 50-B of the *Income Tax Assessment Act 1997.*

The organisation is a public benevolent institution as defined in the *Income Tax Assessment Act 1997* and is endorsed as a deductible gift recipient under Subdivision 30-BA of the *Income Tax Assessment Act 1997*.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(f) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value.

Inventories held for distribution at no or nominal consideration are measured at lower of cost and current replacement cost.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Classification

The organisation classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Financial instruments

Financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is reclassified from equity to profit or loss as a reclassification adjustment.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Donated financial assets

Financial assets donated to the group are recognised at fair value at the date the group obtains the control of the assets.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

Properties that are held for strategic purpose or to provide a social service and that generate cash inflows where the rental revenue is incidental to the purpose for holding the property, do not meet the definition of investment properties and are classified as properties in accordance with AASB 116.

Property

Freehold land and buildings are initially recorded at cost. Where freehold land and buildings were acquired at no cost or for a nominal amount, cost is deemed to be the fair value at the acquisition date.

Freehold land and commercial buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation profit. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income under the heading of revaluation profit; all other decreases are charged to profit and loss.

Residential land and buildings is measured on a cost basis.

Plant and equipment

Plant and equipment is measured on the cost basis. Where plant and equipment was acquired at no cost or for a nominal amount, cost is deemed to be the fair value as at the acquisition date.

Depreciation

Land is not depreciated. The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings at cost	2.5%	Straight line
Buildings at valuation	2.5%	Straight line
Plant and equipment at cost	10-100%	Straight line
Plant and equipment at valuation	10-100%	Straight line
Motor vehicles at cost	15%	Straight line

(i) Intangibles

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangibles (Continued)

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses.

Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

Other intangibles

Donor acquisition campaign costs are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Donor acquisition campaign costs are amortised over their useful lives ranging from 3 to 5 years.

(j) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Biological assets

Avocado and macadamia trees are classified as a biological asset and valued in accordance with AASB 116 Property, Plant and Equipment. The value of the trees is measured at fair value using a discounted cash flow methodology.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

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

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

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are recognised when the organisation has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Borrowing costs

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred.

(p) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment of goodwill

Goodwill balances are reviewed annually on the basis of discounted present values of estimated net cash flows for 5 years and termination valuation at the end of 5 years.

(b) Biological assets

Biological assets are carried at fair value determined using a discounted cash flow methodology. Details of the key assumptions incorporated into the discounted cash flow methodology are set out in Note 12.

(c) Annual leave and long service leave

Net present value calculations are used to estimate the annual leave and long service leave provisions.

NOTE 3: ACCOUNTING STANDARDS & INTERPRETATIONS ISSUED BUT NOT OPERATIVE

There is not expected to be any significant impact on the entity's financial report on the initial application of Australian Accounting Standards issued at reporting date but are not yet effective as at 30 June 2017.

NOTE 4: FINANCIAL RISK MANAGEMENT

The Board of Directors, on advice from the Audit and Risk Committee and senior management, is responsible for analysing and managing financial risk exposure. The day to day management of the investment portfolio is contracted to an external investment manager under mandate of the Board of Directors. The mandate provided by the Board of Directors requires a conservative investment strategy.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis.

The organisation is exposed to a number of financial risks comprising:

(a) Market price risk
(b) NDIS transition risk
(c) Government funding risk
(d) Credit risk
(e) Interest rate risk
(f) Liquidity risk

(a) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The organisation holds listed investments classified as available-for-sale financial assets. These investments are subject to market fluctuations. The majority of these investments are ASX200 entities and therefore are subject to the risks associated with such markets.

(b) NDIS transition risk

As the National Disability Insurance Scheme is implemented, the move to a more contestable, consumer-driven market for the provision of services to people with a disability will change funding risk. We anticipate a progressive transition away from the upfront payment of government funding by direct grants and payments for contracted services, to transactional, post-service consumer-directed payments made by the National Disability Insurance Agency, individual service users and other intermediaries.

HWNS is managing this risk through a range of operational strategies to:

- Continually improve the quality and consistency of its services, with a stronger focus on person-centred practices, customer relationship management and development of the support framework;
- Redesign and automate key business processes to bill efficiently, improve customer service levels and achieve operational efficiencies; and
- Build on the strength of the HWNS brand to enhance HWNS' value propositions to current and future customers.

The implementation of the NDIS also impacts credit and liquidity risk which is discussed under Notes 4(e) and (f).

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Government funding risk

Despite the reduction in direct governement funding during the transition to NDIS, the organisation is dependent on state and federal government funding to operate many of its services and businesses. Direct government funding contributed 54% (2016: 69%) of the organisation's revenues in the 2017 financial year. This risk is managed through a range of complementary strategies but cannot be totally mitigated. The major risk management strategies are:

Quality management
A number of House with No Steps' operational divisions hold relevant accreditations including ISO 9001:2008, HACCP, Australian Skills Quality Authority ('ASQA'), Council on Quality and Leadership ('CQL') and Freshcare. In addition, the organisation's operations are regularly audited to ensure they meet the requirements of the state and federal Disability Services Standards. House with No Steps is compliant with Workplace Gender Equality Agency ('WGEA').

Effective tendering
The organisation employs staff dedicated to the production of high quality tender and proposal documentation, within parameters of a documented bid management system, to ensure that proposals to operate new services are deliverable to quality standards and are well scoped, well costed and of high quality.

Training
The organisation spent a minimum of 1.9% of its annual payroll costs for training to ensure that staff are appropriately trained in the functional and management skills they require to perform their roles effectively.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Interest rate risk is minimal as the organisation has limited borrowings. Subject to consideration of liquidity risk, cash is held in fixed interest rate accounts to maximise returns.

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

The organisation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the organisation.

The organisation minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

The organisation does not have any material credit risk in respect of cash and cash equivalents as these are held with Authorised Deposit-taking Institutions (ADIs) regulated by APRA.

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The organisation manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and cash equivalents and/or unutilised borrowing facilities are maintained.

When considering the liquidity position of the organisation it is important to recognise that there is access to quickly realisable non-current assets such as the available-for-sale financial assets. This is principally an investment portfolio that could be easily converted to cash to cover any urgent cash requirements. In addition, current liabilities include an amount of government funding received in advance for services to be provided in the 2017 financial year.

NOTE 5: REVENUE AND OTHER INCOME

	2017 $	2016 $
Dividend income	239,019	261,415
Interest income	488,135	759,499
Rendering of services - Government (Note 5(a))	88,815,944	98,516,143
Government contributions and subsidies (Note 5 (a))	4,279,789	5,118,157
Rendering of services - Non-Government	15,083,881	14,758,810
Rendering of services - Support customers	6,887,728	6,583,031
Rendering of services - NDIS participants	40,637,549	12,447,709
Sale of goods	6,254,067	5,457,649
Training income	535,153	662,416
Fundraising appeals	4,265,802	3,742,452
Bequests	531,198	372,729
Auspice proceeds	1,260,781	823,444
Sundry revenue	716,358	380,716
	169,995,404	149,884,170
Other Income		
Profit on sale of non-current assets	1,514,766	886,721
	171,510,170	150,770,891

	2017 $	2016 $
NOTE 5(a): SOURCES OF DIRECT GOVERNMENT FUNDING		
Federal government	5,403,825	7,121,267
NSW government	60,830,620	73,053,772
Queensland government	26,861,288	22,509,444
ACT government	-	919,454
	93,095,733	103,603,937

NOTE 6: OPERATING PROFIT / (LOSS)

Profit / (loss) before income tax has been determined after:

	2017 $	2016 $
Net gain on disposal of non-current assets:		
- Profit / (loss) on sale of property, plant and equipment	1,376,143	891,678
- Profit /(loss) on sale of investments	138,623	(4,957)
Cost of sales	3,969,479	3,851,170
Depreciation	3,079,547	2,647,702
Amortisation	637,974	408,400
Bad and doubtful debts	138,619	(74,056)
Rental expense on operating leases		
- Minimum lease payments	3,178,884	2,778,918
Remuneration of auditors for:		
Pitcher Partners (Sydney)		
Audit and assurance services		
- Audit or review of the financial report	80,000	75,000
Other non-audit services		
- Other services	9,000	8,000
	89,000	83,000

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 $	2016 $
Compensation received by key management personnel of the organisation		
- short-term employee benefits	1,930,862	1,637,338
- post-employment benefits	164,603	143,740
- other long-term benefits	18,657	24,394
	2,114,122	1,805,472

In accordance with the *Charitable Fundraising Act 1991* the non-executive Directors of the company are all unpaid volunteers. The remuneration figures above reflect the benefits applicable to the senior executive team which consists of the most senior management roles, of which there were 8 as at 30 June 2017 (2016:8), including the Managing Director/CEO.

	2017 $	2016 $

NOTE 8: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash on hand	2,766	3,989
Cash at bank	3,527,268	2,824,049
Cash on deposit	12,564,392	16,511,040
Cash held by investment manager	49,302	110,548
	16,143,728	19,449,626

NOTE 9: TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
CURRENT		
Trade debtors	6,333,162	4,845,948
Impairment loss	(243,631)	(241,605)
	6,089,531	4,604,343
Other receivables	3,762,451	(12,677)
	9,851,982	4,591,666

Other receivables includes $3.5m due from sale of commercial properties.

Impairment of trade receivables

Trade receivables are non interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence where payment is not received within 180 days that an individual trade receivable is impaired. The impairment losses have been included in other expenses within the statement of profit or loss. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the accumulated impairment losses were:

	2017 $	2016 $
Opening balance	241,605	708,012
Charge for the year	138,619	(74,056)
Amounts written off	(136,593)	(392,351)
Closing balance	243,631	241,605

NOTE 10: INVENTORIES

	2017 $	2016 $
CURRENT		
At cost		
Raw materials	250,069	248,711
Finished goods	641,307	745,048
	891,376	993,759

	2017 $	2016 $
NOTE 11: OTHER ASSETS		
CURRENT		
Prepayments	1,805,161	1,414,830
Accrued income	1,080,923	994,742
Other assets	2,867,305	345,782
	5,753,389	2,755,354

Other assets includes $2.5m which was the deposit payable to the Department of Family and Community Services after HWNS were successful in its tender to take over the NSW Government services in all five service groups contested.

NOTE 12: BIOLOGICAL ASSETS

	2017 $	2016 $
NON-CURRENT		
At fair value		
Macadamia and avocado trees	667,700	470,209

(a) Significant fair value assumptions

The fair value of avocado and macadamia trees is measured using a financial model based on the following assumptions:

- macadamia trees are expected to bear crops from 8 years to 34 years old (2016: 8 years to 34 years)
- avocado trees are expected to bear crops from 8 years to 34 years old (2016: 8 years to 34 years)
- expectations in respect of crop bearing are based on historical observations
- selling prices, direct and overhead costs are based on actual results for the last three years
- cash flows, expected over five years from existing trees, are discounted at a rate that takes into account the cost of capital plus a suitable risk factor (15%)

NOTE 13: OTHER FINANCIAL ASSETS

	2017 $	2016 $
NON-CURRENT		
Available-for-sale financial assets		
At cost		
Shares in other corporations	30,000	-
Total available-for-sale financial assets at cost	30,000	-
At fair value		
Shares in listed corporations	4,396,663	4,002,283
Total available-for-sale financial assets at fair value	4,396,663	4,002,283
Total available-for-sale financial assets	4,426,663	4,002,283
Reconciliation of available-for-sale assets		
Opening balance	4,002,283	4,049,391
Additions	1,173,744	480,468
Disposals	(767,367)	(394,339)
Change in fair value of available-for-sale financial assets	18,003	(133,237)
	4,426,663	4,002,283

	2017 $	2016 $

NOTE 14: INTANGIBLE ASSETS

	2017 $	2016 $
Goodwill at cost	470,170	470,170
Provision for impairment loss	(214,170)	(214,170)
	256,000	256,000
Donor acquisition campaigns at cost	3,642,521	2,130,145
Accumulated amortisation and impairment	(1,334,152)	(696,178)
	2,308,369	1,433,967
Total intangible assets	2,564,369	1,689,967

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2017 $	2016 $
Goodwill		
Opening balance	256,000	256,000
Closing balance	256,000	256,000
Donor acquisitions campaign at cost		
Opening balance	1,433,967	1,149,556
Additions	1,512,376	674,689
Amortisation expense	(637,974)	(390,278)
Closing balance	2,308,369	1,433,967

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Freehold land		
At valuation	4,650,000	6,100,000
Commercial buildings at valuation		
At valuation	7,316,560	8,155,000
Accumulated depreciation	(370,626)	(1,078)
	6,945,934	8,153,922
Land and buildings		
At cost	19,835,109	17,575,606
Accumulated depreciation	(5,706,161)	(5,344,582)
	14,128,948	12,231,024

	2017 $	2016 $
NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Leasehold improvements		
At cost	2,060,318	1,177,379
Accumulated depreciation	(663,529)	(642,313)
	1,396,789	535,066
Total land and buildings	27,121,671	27,020,012
Plant and equipment		
At cost	23,724,109	22,769,686
Accumulated depreciation	(15,930,859)	(16,875,626)
	7,793,250	5,894,060
Total property, plant and equipment	34,914,921	32,914,072

Included in land and buildings are:

(i) land and buildings acquired with capital funding which the funding body may have an interest in the property or any proceeds on disposal; and

(ii) buildings with a total carrying value of $3,000,934 on government gazetted land in respect of which no communication has been received of any plans that would prevent the organisation's continued use.

Freehold land excludes land acquired with capital funding which is included in the land and buildings class as set out above. The freehold land class was revalued by the directors in 2015 and again in 2016 to fair value.

Commercial buildings exclude buildings acquired with capital funding and buildings on government gazetted land which is included in the land and buildings class as set out above. The commercial buildings class was revalued to fair value in 2016.

(a) Valuations

In June 2015, an independent valuation was obtained from Propell National Valuers for all freehold land and land and buildings. The valuation was prepared to meet the requirements of AASB 116 on a highest and best use basis.

Due to the nature of the land and buildings class of assets, the fair value of this class has not been reflected in the financial statements. The fair value of this class is $16,030,000.

The land class of assets was revalued by the directors in 2015 at 85% of the independent valuation. In 2016 the directors increased their valuation of the land class to 100% of the independent valuation. The carrying value of the freehold land, if measured under the cost model, would be $2,460,061.

The commercial buildings class of assets was revalued based on the independent valuation. The carrying value of the freehold land at the time of the most recent valuation, if measured under the cost model, would be $5,116,866.

(b) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Reconciliations (Continued)

	2017 $	2016 $
Freehold land		
Opening carrying amount	6,100,000	5,185,000
Disposals	(1,450,000)	-
Net amount of revaluation increments less decrements	-	915,000
Closing carrying amount	4,650,000	6,100,000
Commercial buildings at valuation		
Opening carrying amount	8,153,922	5,244,768
Additions	111,560	-
Disposals	(918,247)	-
Net amount of revaluation increments less decrements	-	3,038,134
Depreciation expense	(401,301)	(128,980)
Closing carrying amount	6,945,934	8,153,922
Land and buildings		
Opening carrying amount	12,231,024	12,558,319
Additions	2,336,162	330,114
Disposals	(42,561)	(274,904)
Depreciation expense	(395,677)	(474,571)
Reclassification	-	92,066
Closing carrying amount	14,128,948	12,231,024
Leasehold improvements		
Opening carrying amount	535,066	514,235
Additions	1,087,343	157,523
Disposals	(93,208)	-
Depreciation expense	(132,412)	(136,692)
Closing carrying amount	1,396,789	535,066
Plant and equipment		
Opening carrying amount	5,894,060	4,883,260
Additions	4,213,029	3,183,474
Disposals	(163,681)	(173,146)
Depreciation expense	(2,150,158)	(1,907,462)
Reclassification	-	(92,066)
Closing carrying amount	7,793,250	5,894,060

(c) Property, plant and equipment pledged as security

The organisation has bank facilities secured by a first registered mortgage over certain freehold land and buildings of the organisation and by a first registered equitable mortgage over all of the organisation's assets and undertakings. Refer to Note 22(c) for details of the facilities.

		2017 $	2016 $

NOTE 16: TRADE AND OTHER PAYABLES

		2017 $	2016 $
CURRENT			
Unsecured liabilities			
Trade creditors		2,110,254	1,107,224
Sundry creditors and accruals		6,743,924	4,680,731
		8,854,178	5,787,955

NOTE 17: BORROWINGS

		2017 $	2016 $
CURRENT			
Secured liabilities			
Bank loans		10,000	-
NON-CURRENT			
Secured liabilities			
Bank loans		-	10,000

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

The organisation has a bank overdraft facility secured by a first registered mortgage over certain freehold land and buildings of the organisation and by a first registered equitable mortgage over all of the organisation's assets and undertakings.

NOTE 18: PROVISIONS

		2017 $	2016 $
CURRENT			
Employee benefits	(a)	11,918,245	10,170,569
Make good provision		145,000	-
		12,063,245	10,170,569
NON-CURRENT			
Employee benefits	(a)	1,497,058	1,504,444
(a) Aggregate employee benefits liability		13,560,303	11,675,013

NOTE 19: OTHER LIABILITIES

		2017 $	2016 $
CURRENT			
Unexpended grants		6,911,940	7,099,864

Unexpended grants represents the government grants that have been received where the delivery of services in accordance with the funding agreements have not been delivered or are not scheduled to be delivered until the next financial year.

	2017 $	2016 $

NOTE 20: RESERVES

Asset revaluation reserve	8,474,656	9,110,201
Available-for-sale financial asset reserve	194,671	176,668
	8,669,327	9,286,869

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

The available-for-sale financial asset reserve is used to record movements in fair values of financial assets classified as available-for-sale.

NOTE 21: ACCUMULATED PROFIT

Accumulated profit at beginning of year	33,007,235	30,000,104
Profit / (loss) for the year	4,201,145	3,007,131
Accumulated profit/(loss) at end of year	37,208,380	33,007,235

NOTE 22: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	2,766	3,989
Cash at bank	3,527,268	2,824,049
At call deposits with financial institutions	12,564,392	16,511,040
Other short-term facilities	49,302	110,548
	16,143,728	19,449,626

(b) Reconciliation of cash flow from operations with profit / (loss) for the year

Profit / (loss) for the year	4,201,145	3,007,131
Adjustments and non-cash items		
Amortisation and impairment losses	637,974	408,400
Depreciation	3,079,547	2,647,702
Net (gain) / loss on disposal of property, plant and equipment	(1,376,143)	(891,678)
Net (gain) / loss on disposal of financial assets	(138,623)	4,957
Dividends received and classified as from investing activities	(239,019)	(261,415)
(Increase) / decrease in value of biological assets	(197,491)	(208,000)
Changes in assets and liabilities		
(Increase) / decrease in receivables	(1,485,188)	471,824
(Increase) / decrease in other assets	(2,998,035)	(937,590)
(Increase) / decrease in inventories	102,383	119,729
Increase / (decrease) in payables	3,066,223	(772,969)
Increase / (decrease) in other liabilities	(187,924)	(529,319)

	2017	2016
	$	$

NOTE 22: CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of cash flow from operations with profit / (loss) for the year (Continued)

	2017 $	2016 $
Increase / (decrease) in provisions	1,885,290	1,579,811
	2,148,994	1,631,452
Cash flows from operating activities	6,350,139	4,638,583

(c) Facility arrangements with banks

	2017 $	2016 $
Overdraft facility	1,000,000	1,000,000
Amount utilised	-	-
Unused credit facility	1,000,000	1,000,000
Mortgage	800,000	600,000
Amount utilised	(10,000)	(10,000)
Unused credit facility	790,000	590,000
Corporate credit cards	400,000	400,000
Amount utilised	(400,000)	(390,200)
Unused credit facility	-	9,800

The bank facilities are secured by a first registered mortgage over certain freehold land and buildings of the organisation and by a first registered equitable mortgage over all of the organisation's assets and undertakings.

(d) Contingent liability arrangements with banks

	2017 $	2016 $
Contingent liability facility	500,000	500,000
Amount utilised	(412,812)	(342,500)
Unused loan facilities	87,188	157,500

The organisation has a bank overdraft and contingent liability facility secured by a first registered mortgage over certain freehold land and buildings of the organisation and by a first registered equitable mortgage over all of the organisation's assets and undertakings.

NOTE 23: RELATED PARTY TRANSACTIONS

There were no loans to related parties (key management personnel (including directors), close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2017 (2016 - $Nil)

Other than remuneration disclosed elsewhere in this financial report, there were no transactions with related parties (key management personnel (including directors), close family members of key management personnel or entities controlled by key management personnel or close family members) during the year ended 30 June 2017 (2016 - $Nil)

	2017 $	2016 $

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	2017 $	2016 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	4,928,113	4,538,720
- later than one year and not later than five years	5,290,207	4,587,704
	10,218,320	9,126,424

This represents motor vehicle and rental property lease commitments.

NOTE 25: CONTINGENT LIABILITIES

	2017 $	2016 $
Contingent liabilities and claims, indeterminable in amount, exist in the ordinary course of business. The directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any known or anticipated losses.	-	-

	2017	2016
	$	$

NOTE 26: FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL YEAR

The organisation has authority to raise funds under the provisions of section 16 of the *NSW Charitable Fundraising Act 1991*. That authority (CFN 13051) was renewed during the year and remains in force until 11 November 2020.

The *Charitable Fundraising Act 1991* and associated regulations prescribe the manner in which fundraising appeals are conducted and reported in NSW. The disclosures below are in accordance with Authority Condition 7, which is issued to the organisation under section 19 of the Act. Fundraising appeals conducted during the financial year included mail appeals, regular giving champions and various other fundraising projects and general receiving of indirectly solicited donations. As specified in the Act, unsolicited donations and bequests are not treated as fundraising appeal income when determining information required to be disclosed under the Act and are therefore not included in the gross proceeds from fundraising appeals. They are treated as gifts under the income tax legislation. Further detail in respect of the organisation's revenue is provided in Note 5.

Costs of fundraising appeals are classified as direct or indirect. Only direct costs, as required under the Act and associated guidance, have been deducted from gross proceeds to determine the net profit from fundraising appeals. Indirect costs excluded from the calculation of net profit from fundraising appeals include overheads such as time spent by finance, management and office staff administering appeals, share of the organisation's overhead costs, depreciation of office equipment and other costs that do not directly relate to fundraising appeals. Total indirect costs have been disclosed below.

RESULTS OF FUNDRAISING APPEALS - NET PROFIT	2017	2016
Gross proceeds from fundraising appeals	4,265,802	3,742,063
Less: Direct costs of fundraising appeals	(2,597,140)	(2,178,569)
Net profit obtained from fundraising appeals	1,668,662	1,563,494

RESULTS OF FUNDRAISING APPEALS - APPLICATION OF REVENUE	2017	2016
Direct costs of fundraising appeals	2,597,140	2,178,569
Indirect costs of fundraising appeals	947,854	957,948
Provision of services	149,674,291	131,534,634
Shared services	14,089,741	12,269,166
	167,309,026	146,940,317

NOTE 26: FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL YEAR (CONTINUED)

COMPARATIVE PERCENTAGES

	2017 %	2016 %
Expenditure on provision of services / Total expenditure excluding direct costs of fundraising appeals (%)	90.9	90.9
Expenditure on provision of services / Income received excluding gross proceeds from fundraising appeals (%)	90.3	90.5
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	60.9	58.2
Net profit obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	39.1	41.8

Cost-of-fundraising

House with No Steps exists to help people with a disability live a great life, and fundraising helps grow and improve the services we offer. We work in accordance with the Australian Charities and Not-for-profits Commission (ACNC) Governance Standards, the Fundraising Institute of Australia (FIA) Code of Practice, and the Charitable Fundraising Act 1991. We are always working to increase the efficiency of our fundraising, so our supporters get improved ‘returns’ for their donations, and are currently investing in growing our total fundraising. Even during this investment phase, our fundraising currently delivers $1.64 for every $1 invested.

NOTE 27: ORGANISATION DETAILS

The registered office of the organisation is:

House with No Steps
49 Blackbutts Road, Belrose
Sydney NSW 2085

The organisation provides services through more than 200 locations in New South Wales, Queensland, Victoria, Tasmania and the Australian Capital Territory.

DIRECTORS' DECLARATION

The directors declare that:

1. there are reasonable grounds to believe that the organisation is able to pay all of its debts, as and when they become due and payable; and

2. the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director:

Richard Madden

Dated this 5th day of October, 2017

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HOUSE WITH NO STEPS

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of House with No Steps, "the organisation", which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of House with No Steps, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the organisation's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the organisation in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the organisation's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HOUSE WITH NO STEPS

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organisation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HOUSE WITH NO STEPS

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to Charitable Fundraising Act 1991

In our opinion:

(a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the year ended 30 June 2017;

(b) the financial report has been properly drawn up, and the associated records properly kept, for the year ended 30 June 2017, in accordance with the *Charitable Fundraising Act 1991* and regulations;

(c) money received as a result of fundraising appeal activities conducted during the year ended 30 June 2017 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991*; and

(d) there are reasonable grounds to believe the organisation will be able to pay its debts as and when they fall due.

R M SHANLEY

Partner

PITCHER PARTNERS

Sydney

Date 5 October 2017

DECLARATION BY MANAGING DIRECTOR IN RESPECT OF FUNDRAISING APPEALS

I, Andrew D Richardson, Managing Director of House with No Steps (the "organisation"), declare in my opinion:

(i) the statement of comprehensive income and accompanying notes give a true and fair view of all income and expenditure of the organisation with respect to fundraising appeal activities for the financial year ended 30 June 2017;

(ii) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2017;

(iii) the provisions of the *Charitable Fundraising Act 1991* and the Regulations under that Act and the conditions attached to the organisation's authority have been complied with during the year ended 30 June 2017; and

(iv) the internal controls exercised by the organisation are appropriate and effective in accounting for all income received.

Managing Director: A.D. Richardson

Andrew D Richardson

Dated at Sydney this 5th day of October, 2017

CORPORATE DIRECTORY AS AT THE DATE OF THIS REPORT

Patron
His Excellency General The Honourable David Hurley AC DSC (Ret'd)
Governor of the State of New South Wales

Directors
Mr. R C Madden - Chair
Mr. J F Diddams - Deputy Chair
Mr. A D Richardson - Managing Director
Ms. P J Friedrich (Retired 31 October 2016)
Ms. D L Cameron
Mrs. L M Dreves
Mr. N C A Stuart (Resigned 16 December 2016)
Ms. M C Boland
Ms. S K Angus (Appointed 20 March 2017)
Ms. S J Male (Appointed 20 March 2017)
Mr. D W A McPhail (Appointed 20 March 2017)

Company Secretary
Mrs. L C Ainsworth (Resigned 16 December 2016)
Mrs. C A Morrow
Mrs. K E Parish (Appointed 4 January 2017)

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Auditor
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