House with No Steps

Financial report
for the year ended 30 June 2016

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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 2016 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:

R C Madden - Chair

J F Diddams - Deputy Chair

A D Richardson - Managing Director

P J Friedrich

D L Cameron

L M Dreves

N C A Stuart

M C Boland Appointed 26 October 2015

M J Marrinon Retired 26 October 2015

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

Operational overview

2015/16 was the final year of House with No Steps' (HWNS') three-year "Evolve, Create, Innovate" strategic plan. It was an exciting and challenging year, as HWNS grew its National Disability Insurance Scheme (NDIS) customer base in the NSW and ACT trial sites and prepared for the full roll-out of the NDIS across Australia from July 2016.

Over the year, total Support Services customers increased by 4% to around 3,200. NDIS-funded customer numbers grew 78% to almost 700. The number of children we support more than doubled, in part due to the incorporation of the well-regarded Ballina Early Childhood Intervention and Summerland Early Childhood Intervention programs into HWNS.

We continue to invest in a quality workforce and employed 2,503 people including 523 people with a disability at 30 June 2016. A committed and skilled workforce is vital to the work we do and the impact we have in people's lives. Enrolments at our Registered Training Organisation in certificated and other training programs totalled 3,361 and this included innovative courses in LEAN manufacturing and Workforce English Language Literacy (WELL) for employees with a disability.

We were delighted to be recognised for the excellence of our training programs by being named 2016 Large Employer of the Year in the NSW Training Awards.

The Board welcomed Ms Maura Boland who joined as a non-executive director in October 2015. The Board maintained a strong focus on the human rights of our customers and employees with a disability through its direct governance activities and the work of its Human Rights Committee. A 2015 external board effectiveness review confirmed the strength of our governance practices and a balanced skills mix across directors.

As detailed below, our overall financial performance was solid. Areas of strong returns offset losses in other areas. Revenue grew 9% to $150.8m. Net profit was $3.0m. Net assets increased 19% to $42.3m.

In June 2016 the Board approved a new three-year plan. Our 2016-19 IMPACT plan, summarised in "plan on a page" format below, identifies goals, strategies and initiatives in six areas:

- Innovation
- Market strength
- People
- Accountability
- Customers, and
- Transformation.

Other highlights of 2015/16 include:

- Increased take-up and usage of Personal Outcomes Measures
- Maintenance of our many external quality accreditations including CQL accreditation for Person-Centred Excellence
- Much-improved profitability across our portfolio of businesses
- Excellent progress in our Person-Centred Active Support research project, improved NDIS business processes resulting from the work of our internal Business Transformation team, development and initial implementation of a prioritised three-year technology roadmap
- Widespread take-up of our "About Me" NDIS planning tool

- Simplification of policies including a range of easy English policy videos
- A positive, interest-based working partnership with the Australian Services Union
- Uplifts in surveyed employee engagement and satisfaction
- Improving safety performance with LTIFR of 20 which is 25% lower than last year
- Growth, profitability and high customer satisfaction with our Choice Solutions employment program and our Facility Services partnership with Telstra, generating work and employment across 14 other Australian Disability Enterprises
- Further increases in supported employee wage rates, which have risen at a compound annual growth rate of 7.4% over the past decade.
- A broad range of improvements in internal and external communications, customer service and brand management, with some wonderful pro bono assistance from GPY&R
- Our New Wave Nippers program, conducted in partnership with Surf Life Saving Australia
- Increasing levels of self-advocacy and human rights awareness amongst our service users, supported by the Board's Human Rights Committee and our network of Peer Mentors.

Our major challenges centre around the implementation of the NDIS, which is driving a major redesign of business processes with limited contextual information. We grew strongly in the Hunter trial site, but profitability suffered as we sought to reengineer business models to fit within unsustainably low hourly rates set for some services by the National Disability Insurance Agency. We will continue to invest to refine our business models, while arguing for Scheme design improvements and sustainable pricing.

Financial performance

Total HWNS revenues grew by 9% (2015:11.5%) to $150.8m (2015: $138.5m) in 2015/16, with a net profit of $3.007m (2015: $1.702m). The profit improvement included net profit on property, plant and equipment sales, revaluation of the biological assets, auspice proceeds and bequests. Provision for doubtful debts, motor vehicle and rent expenses were lower and this offset increased labour costs. Cash and investments were proactively managed so investment income remained steady despite lower interest rates for cash deposits.

The directors revalued freehold land and commercial buildings by $3.9m to fair value per the independent valuation obtained in June 2015. The value of the investment portfolio declined by $0.1m so other comprehensive income totalled $3.8m (2015: $2.7m).

Total comprehensive income was $6.827m (2015: $4.392m).

Net assets increased by $6.8m to $42.3m (2015: $35.5m).

Support Services: Support Services revenue from governments and customers increased by 7% to $118.8m, (2015: $111.0m) including $11.7m (2015: $5.2m) for support service provision to NDIS participants in NSW and the ACT. NSW/ACT accounted for 76% (2015: 78%) of Support Services revenue and Queensland 21% (2015: 20%). Our "Transition to Work" programs under the Choice Solutions brand contributed 1% as occurred last year and Children's Foster Services revenue grew by 1% to 2% of revenue in 2015/16. Operations were conducted at over 200 HWNS sites across NSW, the ACT and Queensland and in a variety of other community settings.

The full year net profit of $0.7m (2015: $2.2m) included auspice proceeds of $0.8m (2015; $0.3m). The auspice proceeds were received because Ballina Early Childhood Intervention and Summerland Early Childhood Intervention in Lismore, NSW merged their operations with HWNS during the year. Additional proceeds were also received from a merger of a supported accommodation provider in Gunnedah, NSW which occurred in the prior year.

The net results for Support Services before auspice proceeds in 2015/16 was a loss of ($0.1m), $2.0m lower than the 2015 net profit before auspice proceeds of $1.9m.

Labour costs increased by 10% as head count grew, particularly in the Hunter trial site in anticipation of greater demand from NDIS funded customers. However gross profit margins declined in the Hunter trial site as the year progressed and customers required more basic support, where the scheduled NDIS hourly rate was less than the cost of support. Gross profits from revenue growth outside the Hunter trial site, realised savings from rationalisation of the motor vehicle fleet, lower insurance premiums and reduced rents offset the increased labour costs.

Shared Services allocations were $2.5m higher than 2014/15 as we invested in improved service practice, increased brand awareness and technological change to reduce operating costs in future years. .

Businesses: Our portfolio of businesses recorded a full year net profit of $0.3m on revenues of $24.4m, up 8% on 2014/15. The net profit was a $1.8m improvement on the prior year.

Gross profit margins increased by 3%, with gross profit $0.9m higher than last year. Other revenue, which includes Federal government subsidies, NDIS payments and donations, increased by $0.2m. Total overheads reduced by $0.3m. A large reduction in the doubtful debts provision more than offset other increased costs. Shared Services allocations increased by $0.1m. Non-operating revenue increased by $0.5m because the avocado and macadamia trees at Summerland House Farm were revalued this year after a write down in the prior year.

Sales increased in three of the four business streams. Sales in Facility Services increased by 27% and at Summerland House Farm by 22%. Sales to Telstra for maintenance of the grounds at their exchanges accounted for half of Facility Services' sales growth. Sales grew strongly at Summerland House Farm because of higher crop yield for the 2015 harvest and increased prices for produce and services. Sales increased by only 1% for laundry, manufacturing and recycling in Newcastle and declined by 2% for Packaging.

Fundraising: Fundraising revenue at $3.6m was $0.1m higher than the prior year. Raffle ticket sales and donations respectively contributed $1.6m (2015: $1.6m) and $2.1m (2015: $1.6m). HWNS' inaugural digital fundraising event "For Fit's Sake" was held in March 2016. Donation income from the event was $0.2m. Investment in donor acquisition programs continued in 2015/16 and 2,873 new donors were acquired.

Education and Training: Our Registered Training Organisation broke even after a loss of ($0.2m) in 2014/15. The improved result occurred despite training income being $0.1m lower than the prior year as governments continued to reduce training subsidies. A 15-month Workplace English Language Literacy (WELL) program for our support workers which commenced in 2014/15 successfully concluded this year.

Shared Services: Shared Services costs were $2.8m higher than 2015, but 4% lower than planned. All costs were allocated to the operating divisions and are included in the above segment results, except for $0.3m relating to strategy development and partnerships.

Shared Services costs increased as we invested in quality and practice, further developed our brand, updated our computer and mobile phone fleets, improved bandwidth at office hubs, conducted major IT systems reviews as a precursor to system changes and upgrades 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 $1.0m (2015: $1.0m). Average funds on deposit again increased in 2015/16 and this increase offset the impact of lower interest rates. Dividend income at $0.3m was unchanged. The market value of our investment portfolio declined 3%.

Other income of $0.9m (2015: $0.1m) was received being the net gain on the disposal of a property in Southern NSW less net losses on disposal of plant and equipment.

Cash: Net cash from operating activities was $4.6m, $2.2m lower than 2014/15. Proceeds from property, plant and equipment sales increased cash by $1.3m. Listed company share portfolio sales totalled $0.4m. We continued to invest in property, plant and equipment, donor acquisitions and the listed company share portfolio. These investments reduced cash by ($4.8m). Dividend income was $0.3m. Overall, cash increased by $1.8m to $19.5m (2015: $17.7m).

Outlook: 2016/17 total revenue is expected to grow by a relatively modest 5% to $157.1m. Significant revenue growth from the expansion of the NDIS in NSW, ACT and Qld is not envisaged in 2016/17. Whilst the number of NDIS sites in NSW, ACT and Queensland will grow, people with a disability who are already funded by state authorities will have priority access to the scheme. Any HWNS planned growth in NDIS customers at the new sites is only likely to occur because of a change in support provider. Where a customer transitions to NDIS, in most instances current funding levels are not expected to increase. There will be limited opportunities for previously unfunded people to enter the scheme this year. The opportunity to seek increased funding from state authorities is also limited.

A net profit of $1.8m is planned. Labour, materials and other direct costs are expected to be proportionally lower in 2015/16 whereas depreciation and other overheads will be proportionally higher. Depreciation costs will increase in line with the planned capital expenditure of $8.7m. Other overheads will continue to increase, mainly in Shared Services where expenditure is planned to support the IMPACT initiatives that focus on longer term strategies, partnerships, information technology, human resources, training and marketing. This increased expenditure will position HWNS to grow more strongly in the last two years of the plan period as the NDIS roll-out continues and one-off growth opportunities present.

OUR PLAN

	I	M	P	A	C	T
	INNOVATION	MARKET STRENGTH	PEOPLE	ACCOUNT-ABILTY	CUSTOMERS	TRANSFORM-ATION
Goal	We try new stuff. We're ready for the future.	We're a leading Australian provider of quality disability services. Our brand reflects our values.	Our employees and volunteers are engaged, effective and passionate about their work	We hold ourselves and each other accountable for actions and results	Customers drive the things we do and the way we do them.	Technology enables excellence, growth and profitability
Strategy	**Build a strategic innovation capability and foster innovation at all levels.**	**Seize growth and partnering opportunities to enhance our impact, brand and reputation**	**Develop, shape and align our workforce for the NDIS world**	**Build a culture of accountability and provide staff with the tools and information they need to make wise decisions**	**Pursue excellent customer service and embed a customer-centric culture across HWNS**	**Invest in technology to improve customer outcomes, staff effectiveness and business efficiency**
Initiatives	Strategic innovation hub	Community engagement	"4R" workforce strategy	On-time information (dashboards)	Support framework and tools	Transformational leadership
	Grassroots innovation	One-off growth opportunities	Leadership development	New performance framework	Customer journey mapping	Program & project management
		Market research & brand building	Employee capability & wellbeing	Simpler policies	CRM capability	3 year technology roadmap

House with No Steps

Information on directors and company secretary

R C 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 and member of the Audit & Risk Committee and ex-officio member of the Human Rights Committee.
J F 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 Audit & Risk, Remuneration and Nomination Committees.
A D 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 Nomination Committee and ex-officio member of the Human Rights Committee.
P J Friedrich	Director
Qualifications	BBus, JP, MPC, FAICD
Experience	Appointed October 2004. Professional activities in tax and accounting for small business with special interest in the private medical sector. Community volunteering includes membership of local area Access and Mobility Committee. Her association with HWNS spans 40 years.
Special responsibilities	Member of the Human Rights and Nomination Committees.
D L Cameron	Director
Qualifications	BA, 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 a partner and director of Integrated Comms, a business development and consulting group.
Special responsibilities	Member of the Audit & Risk Committee.

Information on directors and company secretary (Continued)

L M 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 the Remuneration Committee.
N C A Stuart	Director
Qualifications	MAICD
Experience	Appointed October 2013. Has over twenty-five years experience as a political journalist and author. He is currently a columnist with The Canberra Times. While working as an international correspondent in Asia he sustained an acquired brain injury following a car accident. He was President of the Board of the National Brain Injury Foundation between 2013 and 2014.
Special responsibilities	Chair of the Human Rights Committee.
M C 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	Member of Human Rights Committee
L C Ainsworth	Company Secretary
Qualifications	BA, GradDipEd, LLB, GradDipMgt, MStratHRM
Experience	Joined HWNS in 2007 as General Manager, People, Learning & Culture and was appointed Executive General Manager, People, Strategy & Partnerships in June 2012. A revised organisational structure in March 2016 saw Lyn's position change to Head of Strategy, Excellence & Innovation. She has worked in the not-for-profit sector since1996 in roles encompassing in-house legal, risk management and human resources management. She is admitted as a Solicitor of the Supreme Court of NSW and has broad experience in legal practice.
C A Morrow	Company Secretary
Qualifications	BEc, CA
Experience	Was appointed Executive General Manager Finance, Infrastructure and Information Technology in July 2012. 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 with both ASX listed and multi-national companies. Her industry experience includes mining services, manufacturing, publishing, equipment hire and financial services.

Meetings of directors

Directors	Board meetings		Audit & Risk Committee meetings		Human Rights Committee meetings		Nomination Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R C Madden	7	6	6	6	4*	1	2	1
J F Diddams	7	5	6	4	-	-	2	2
A D Richardson	7	7	6	6	4*	4	2	1
P J Friedrich	7	7	-	-	4	4	2	2
D L Cameron	7	6	6	5	-	-	-	-
L M Dreves	7	7	6	6	-	-	-	-
N C A Stuart	7	6	-	-	4	3	-	-
M C Boland (appointed 26 October 2015)	7	7	-	-	-	-	-	-

* ex-officio member

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 2016 the total amount that members are liable to contribute if House with No Steps is wound up is $27 (2015: $27).

Signed on behalf of the board of directors.

Director: ______________________

Richard Madden

Dated this 23rd day of September 2016

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HOUSE WITH NO STEPS
ABN 31 001 813 403

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

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

ROD SHANLEY

Partner

PITCHER PARTNERS

Sydney

Date: 23 September 2016

HOUSE WITH NO STEPS
ABN 31 001 813 403

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Revenue and other income			
Revenue	5	149,884,171	138,430,031
Income	5	886,721	75,740
	5	150,770,892	138,505,771
Less: expenses			
Employee benefits expense		(112,649,339)	(103,381,706)
Occupancy expense		(8,907,293)	(9,286,627)
Motor vehicle expenses		(3,341,256)	(4,789,689)
Changes in inventories of finished goods and work in progress		(119,729)	(91,897)
Materials and consumables used		(3,731,441)	(4,020,203)
Depreciation and amortisation expense	6	(3,056,102)	(2,821,705)
Technology expenses		(2,365,141)	(2,195,985)
Repairs and maintenance expense		(1,865,947)	(1,831,220)
Professional fee expenses		(2,761,147)	(1,708,470)
Sales and marketing expenses		(1,349,257)	(1,126,648)
Finance costs		(3,163)	(23,800)
Other expenses		(7,613,946)	(5,526,289)
		(147,763,761)	(136,804,239)
Profit before income tax expense		3,007,131	1,701,532
Income tax expense		-	-
Net profit from continuing operations		3,007,131	1,701,532
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of property, plant and equipment, net of tax		3,953,134	2,724,939
Items that may be reclassified subsequently to profit and loss			
Change in fair value of available-for-sale financial assets, net of tax		(133,241)	(34,949)
Other comprehensive income for the year		3,819,893	2,689,990
Total comprehensive income		6,827,024	4,391,522

The accompanying notes form part of these financial statements.

HOUSE WITH NO STEPS
ABN 31 001 813 403

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	8	19,449,626	17,646,786
Trade and other receivables	9	4,591,665	5,063,489
Inventories	10	993,759	1,113,488
Other assets	11	2,755,354	1,817,764
Total current assets		27,790,404	25,641,527
Non-current assets			
Biological assets	12	470,209	262,209
Other financial assets	13	4,002,283	4,049,391
Intangible assets	14	1,689,967	1,405,556
Property, plant and equipment	15	32,914,072	28,385,582
Total non-current assets		39,076,531	34,102,738
Total assets		66,866,935	59,744,265
Current liabilities			
Trade and other payables	16	5,787,950	6,542,796
Provisions	18	10,170,569	8,750,744
Other liabilities	19	7,099,864	7,629,183
Total current liabilities		23,058,383	22,922,723
Non-current liabilities			
Borrowings	17	10,000	10,000
Provisions	18	1,504,444	1,344,458
Total non-current liabilities		1,514,444	1,354,458
Total liabilities		24,572,827	24,277,181
Net assets		42,294,108	35,467,084
Funds and reserves			
Reserves	20	9,286,869	5,466,976
Accumulated profit	21	33,007,239	30,000,108
Total funds and reserves		42,294,108	35,467,084

The accompanying notes form part of these financial statements.

HOUSE WITH NO STEPS
ABN 31 001 813 403

STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Reserves $	Accumulated profit $	Total funds and reserves $
Balance as at 1 July 2014		2,776,986	28,298,576	31,075,562
Profit for the year		-	1,701,532	1,701,532
Revaluation of property, plant and equipment, net of tax		2,724,939	-	2,724,939
Change in fair value of available-for-sale financial assets, net of tax		(34,949)	-	(34,949)
Total comprehensive income for the year		2,689,990	1,701,532	4,391,522
Balance as at 30 June 2015		5,466,976	30,000,108	35,467,084
Balance as at 1 July 2015		5,466,976	30,000,108	35,467,084
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		(133,241)	-	(133,241)
Total comprehensive income		3,819,893	3,007,131	6,827,024
Balance as at 30 June 2016		9,286,869	33,007,239	42,294,108

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Cash flow from operating activities			
Receipts from government departments, customers and fundraising		159,251,581	148,136,273
Payments to suppliers and employees		(155,369,334)	(142,050,591)
Interest received		759,499	717,604
Finance costs		(3,163)	(23,800)
Net cash provided by operating activities	22(b)	4,638,583	6,779,486
Cash flow from investing activities			
Proceeds from sale of available-for-sale assets		389,382	1,015,465
Proceeds from sale of other non-current assets		1,339,728	83,917
Payment for property, plant and equipment		(3,671,111)	(1,972,970)
Payment for available-for-sale assets		(480,468)	(1,233,811)
Payment for intangible assets		(674,689)	(835,670)
Dividends received		261,415	294,947
Net cash provided by / (used in) investing activities		(2,835,743)	(2,648,122)
Cash flow from financing activities			
Repayment of borrowings		-	(890,000)
Net cash provided by / (used in) financing activities		-	(890,000)
Reconciliation of cash			
Cash at beginning of the financial year		17,646,786	14,405,422
Net increase in cash held		1,802,840	3,241,364
Cash at end of financial year	22(a)	19,449,626	17,646,786

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

The financial report is for the entity House with No Steps as an individual entity. House with No Steps is an 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 following is a summary of the material 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

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 recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

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 were acquired. Management determines the classification of its financial instruments at initial recognition.

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 recognised in profit or loss.

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

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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.

(k) Biological assets

Avocado and macadamia trees are classified as a biological asset and valued in accordance with AASB 141 Agriculture. The value of the trees is measured at fair value using a discounted cash flow methodology.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, accumulated sick 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 have maturity dates that approximate the terms of the obligations. 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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2016.

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) Interest rate risk
(e) Credit 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

The organisation is dependent on state and federal government funding to operate many of its services and businesses. Direct government funding contributed 69% (2015: 74%) of the organisation's revenues in the 2016 financial year. The risk of loss of these funding streams remains material to the organisation during the NDIS transition. 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 1.72% 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.

Diversification
The organisation sources funding from a range of NSW, Queensland, ACT and Federal Government agencies and generates 31% (2015: 26%) of revenue from non-government sources to reduce its dependence on any single government funding source.

(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

	2016 $	2015 $
Dividend income	261,415	294,947
Interest income	759,499	717,604
Rendering of services - Government (Note 5(a))	98,485,780	96,243,753
Government contributions and subsidies (Note 5 (a))	5,118,157	6,665,410
Rendering of services - Non-Government	14,528,378	13,291,940
Rendering of services - Support customers	6,583,031	6,529,169
Rendering of services - NDIS participants	12,708,894	5,174,123
Sale of goods	5,457,649	4,713,624
Training income	662,416	816,113
Fundraising appeals	3,742,063	3,614,855
Bequests	372,729	20,414
Auspice proceeds	823,444	-
Sundry revenue	380,716	348,079
	149,884,171	138,430,031
Other Income		
Profit on sale of non-current assets	886,721	75,740
	150,770,892	138,505,771

NOTE 5(a): SOURCES OF DIRECT GOVERNMENT FUNDING

	2016 $	2015 $
Federal government	7,121,267	7,892,914
NSW government	73,053,772	69,401,644
Queensland government	22,509,444	21,343,600
ACT government	919,454	4,271,005
	103,603,937	102,909,163

NOTE 6: OPERATING PROFIT / (LOSS)

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

	2016 $	2015 $
Net gain on disposal of non-current assets:		
- Profit / (loss) on sale of property, plant and equipment	891,678	(95,405)
- Profit /(loss) on sale of investments	(4,957)	171,144
Cost of sales	3,851,170	4,112,100
Depreciation	2,647,702	2,525,879
Amortisation	408,400	295,825
Bad and doubtful debts	(74,056)	737,939
Rental expense on operating leases		
- Minimum lease payments	2,778,918	3,893,911
Employee benefits	112,649,339	103,381,706

	2016 $	2015 $

NOTE 6: OPERATING PROFIT / (LOSS) (CONTINUED)

Remuneration of auditors for:

	2016 $	2015 $
Pitcher Partners (Sydney)		
Audit and assurance services		
- Audit or review of the financial report	75,000	75,000
Other non-audit services		
- Other services	8,000	8,000
	83,000	83,000

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 $	2015 $
Compensation received by key management personnel of the organisation		
- short-term employee benefits	1,637,338	1,347,160
- post-employment benefits	143,740	124,176
- other long-term benefits	24,394	3,348
	1,805,472	1,474,684

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 2016 (2015:7), including the Managing Director/CEO.

NOTE 8: CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash on hand	3,989	7,290
Cash at bank	2,824,049	3,601,630
Cash on deposit	16,511,040	14,000,000
Cash held by investment manager	110,548	37,866
	19,449,626	17,646,786

NOTE 9: TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
CURRENT		
Trade debtors	4,833,112	5,771,397
Impairment loss	(241,605)	(708,012)
	4,591,507	5,063,385
Other receivables	158	104
	4,591,665	5,063,489

	2016	2015
	$	$

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2016 $	2015 $
Opening balance	708,012	231,262
Charge for the year	(74,056)	737,939
Amounts written off	(392,351)	(261,189)
Closing balance	241,605	708,012

NOTE 10: INVENTORIES

	2016 $	2015 $
CURRENT		
At cost		
Raw materials	248,711	342,886
Finished goods	745,048	770,602
	993,759	1,113,488

NOTE 11: OTHER ASSETS

	2016 $	2015 $
CURRENT		
Prepayments	1,414,830	1,011,719
Accrued income	994,742	490,210
Other current assets	345,782	315,835
	2,755,354	1,817,764

NOTE 12: BIOLOGICAL ASSETS

	2016 $	2015 $
NON-CURRENT		
At fair value		
Macadamia and avocado trees	470,209	262,209

(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 (2015: 7 years to 33 years)
- avocado trees are expected to bear crops from 8 years to 34 years old (2015: 7 years to 33 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%)

	2016 $	2015 $
NOTE 13: OTHER FINANCIAL ASSETS		
NON-CURRENT		
Available-for-sale financial assets		
At fair value		
Shares in listed corporations	4,002,283	4,049,391
Reconciliation		
Opening balance	4,049,391	3,694,855
Additions	480,468	1,233,811
Disposals	(394,339)	(844,326)
Change in fair value of available-for-sale financial assets	(133,237)	(34,949)
	4,002,283	4,049,391

NOTE 14: INTANGIBLE ASSETS

	2016 $	2015 $
Goodwill at cost	470,170	470,170
Provision for impairment loss	(214,170)	(214,170)
	256,000	256,000
Donor acquisition campaigns at cost	2,130,145	1,455,456
Accumulated amortisation and impairment	(696,178)	(305,900)
	1,433,967	1,149,556
Total intangible assets	1,689,967	1,405,556

(a) Reconciliations

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

	2016 $	2015 $
Goodwill		
Opening balance	256,000	256,000
Closing balance	256,000	256,000
Donor acquisitions campaign at cost		
Opening balance	1,149,556	586,538
Additions	674,689	835,310
Amortisation expense	(390,278)	(272,292)
Closing balance	1,433,967	1,149,556

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Freehold land		
At valuation	6,100,000	5,185,000
Commercial buildings at valuation		
At valuation (prior year at cost)	8,155,000	7,899,349
Accumulated depreciation	(1,078)	(2,654,581)
	8,153,922	5,244,768
Land and buildings		
At cost	17,575,606	17,719,057
Accumulated depreciation	(5,344,582)	(5,160,738)
	12,231,024	12,558,319
Leasehold improvements		
At cost	1,177,379	1,019,856
Accumulated depreciation	(642,313)	(505,621)
	535,066	514,235
Total land and buildings	27,020,012	23,502,322
Plant and equipment		
At cost	22,769,686	20,332,969
Accumulated depreciation	(16,875,626)	(15,449,709)
	5,894,060	4,883,260
Total property, plant and equipment	32,914,072	28,385,582

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 $3,097,500 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) Details for measurement of revalued amounts

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

	2016 $	2015 $
Freehold land		
Opening carrying amount	5,185,000	2,460,061
Net amount of revaluation increments less decrements	915,000	2,724,939
Closing carrying amount	6,100,000	5,185,000
Commercial buildings at valuation		
Opening carrying amount	5,244,768	5,250,361
Additions	-	122,309
Net amount of revaluation increments less decrements	3,038,134	-
Depreciation expense	(128,980)	(127,902)
Closing carrying amount	8,153,922	5,244,768

	2016 $	2015 $

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Reconciliations (Continued)

	2016 $	2015 $
Land and buildings		
Opening carrying amount	12,558,319	12,783,683
Additions	330,114	385,753
Disposals	(274,904)	(66,204)
Depreciation expense	(474,571)	(506,168)
Reclassification	92,066	(38,745)
Closing carrying amount	12,231,024	12,558,319
Leasehold improvements		
Opening carrying amount	514,235	385,347
Additions	157,523	198,911
Depreciation expense	(136,692)	(108,770)
Reclassification	-	38,747
Closing carrying amount	535,066	514,235
Plant and equipment		
Opening carrying amount	4,883,260	5,473,565
Additions	3,183,474	1,265,997
Disposals	(173,146)	(73,540)
Depreciation expense	(1,907,462)	(1,782,762)
Reclassification	(92,066)	-
Closing carrying amount	5,894,060	4,883,260

(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.

NOTE 16: TRADE AND OTHER PAYABLES

	2016 $	2015 $
CURRENT		
Unsecured liabilities		
Trade creditors	1,107,224	1,086,015
Sundry creditors and accruals	4,680,726	5,456,781
	5,787,950	6,542,796

		2016 $	2015 $
NOTE 17: BORROWINGS			
NON-CURRENT			
Secured liabilities			
Mortgage loans		10,000	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

		2016 $	2015 $
CURRENT			
Employee benefits	(a)	10,170,569	8,750,744
NON-CURRENT			
Employee benefits	(a)	1,504,444	1,344,458
(a) Aggregate employee benefits liability		11,675,013	10,095,202

NOTE 19: OTHER LIABILITIES

	2016 $	2015 $
CURRENT		
Grants received in advance	7,099,864	7,629,183

Grants received in advance represent government grants that have been received during the financial year 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.

NOTE 20: RESERVES

	2016 $	2015 $
Asset revaluation reserve	9,110,201	5,157,067
Available-for-sale financial asset reserve	176,668	309,909
	9,286,869	5,466,976

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

	2016 $	2015 $
Accumulated profit at beginning of year	30,000,108	28,298,576
Profit / (loss) for the year	3,007,131	1,701,532
Accumulated profit/(loss) at end of year	33,007,239	30,000,108

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:

	2016 $	2015 $
Cash on hand	3,989	7,290
Cash at bank	2,824,049	3,601,630
At call deposits with financial institutions	16,511,040	14,000,000
Other short-term facilities	110,548	37,866
	19,449,626	17,646,786

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

	2016 $	2015 $
Profit / (loss) for the year	3,007,131	1,701,532
Adjustments and non-cash items		
Amortisation and impairment losses	408,400	295,825
Depreciation	2,647,702	2,525,879
Net (gain) / loss on disposal of property, plant and equipment	(891,678)	95,405
Net (gain) / loss on disposal of financial assets	4,957	(171,144)
Dividends received and classified as from investing activities	(261,415)	(294,947)
(Increase) / decrease in value of biological assets	(208,000)	127,002
Changes in assets and liabilities		
(Increase) / decrease in receivables	471,824	(1,379,914)
(Increase) / decrease in other assets	(937,590)	920,501
(Increase) / decrease in inventories	119,729	91,897
Increase / (decrease) in payables	(772,969)	1,248,492
Increase / (decrease) in other liabilities	(529,319)	698,108
Increase / (decrease) in provisions	1,579,811	920,849
	1,631,452	5,077,953
Cash flows from operating activities	4,638,583	6,779,485

(c) Facility arrangements with banks

	2016 $	2015 $
Overdraft facility	1,000,000	1,000,000
Amount utilised	-	-
Unused credit facility	1,000,000	1,000,000
Mortgage	600,000	600,000
Amount utilised	(10,000)	(10,000)

NOTE 22: CASH FLOW INFORMATION (CONTINUED)

(c) Facility arrangements with banks (Continued)

	2016 $	2015 $
Unused credit facility	590,000	590,000
Corporate credit cards	400,000	400,000
Amount utilised	(390,200)	(351,700)
Unused credit facility	9,800	48,300

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

	2016 $	2015 $
Contingent liability facility	500,000	500,000
Amount utilised	(342,500)	(303,602)
Unused loan facilities	157,500	196,398

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 2016 (2015 - $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 2016 (2015 - $Nil)

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	4,538,720	4,367,299
- later than one year and not later than five years	4,587,704	3,931,654
	9,126,424	8,298,953

This represents motor vehicle and rental property lease commitments.

	2016 $	2015 $
NOTE 25: CONTINGENT LIABILITIES		
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.	-	-

	2016	2015
	$	$

NOTE 26: FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL YEAR

The organisation has authority to raise funds under the provisions of section 16 of the *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, raffles, money box collections and various other sundry 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	2016 $	2015 $
Gross proceeds from fundraising appeals	3,742,063	3,614,855
Less: Direct costs of fundraising appeals	(2,178,569)	(1,902,236)
Net profit obtained from fundraising appeals	1,563,494	1,712,619

RESULTS OF FUNDRAISING APPEALS - APPLICATION OF REVENUE	2016 $	2015 $
Direct costs of fundraising appeals	2,178,569	1,902,236
Indirect costs of fundraising appeals	957,948	1,024,985
Provision of services	131,534,634	123,787,531
Shared services	12,269,166	10,089,486
	146,940,317	136,804,238

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

	2016 $	2015 $
COMPARATIVE PERCENTAGES		
Expenditure on provision of services / Total expenditure excluding direct costs of fundraising appeals (%)	90.9	91.8
Expenditure on provision of services / Income received excluding gross proceeds from fundraising appeals (%)	90.5	91.7
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	58.2	52.6
Net profit obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	41.8	47.4

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 throughout New South Wales, Queensland and the Australian Capital Territory.

HOUSE WITH NO STEPS
ABN 31 001 813 403

DIRECTORS' DECLARATION

The directors of the organisation declare that:

1. The financial statements and notes, as set out on pages 12 - 38, are in accordance with the *Corporations Act 2001*: and

   (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the financial position as at 30 June 2016 and performance for the year ended on that date of the organisation.

2. In the directors' opinion there are reasonable grounds to believe that the organisation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ______________________________

Richard Madden

Dated this 23rd day of September 2016

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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HOUSE WITH NO STEPS
ABN 31 001 813 403

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

We have audited the accompanying financial report of House with No Steps, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 any applicable code of professional conduct.

HOUSE WITH NO STEPS
ABN 31 001 813 403

CORPORATE DIRECTORY AS AT THE DATE OF THIS REPORT

Opinion

In our opinion, the financial report of House with No Steps 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 financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Regulations 2013*.

Auditor's 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 2016;

(b) the financial report has been properly drawn up, and the associated records properly kept, for the year ended 30 June 2016, 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 2016 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.

ROD SHANLEY — PITCHER PARTNERS

Partner — Sydney

23 September 2016

HOUSE WITH NO STEPS
ABN 31 001 813 403

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 2016;

(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 2016;

(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 2016; and

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

Dated at Sydney this 23rd day of September 2016

A.D. Richardson

Andrew D Richardson
MANAGING DIRECTOR

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
Ms. D L Cameron
Mrs. L M Dreves
Mr. N C A Stuart
Ms M C Boland (Appointed 26 October 2015)
Mr. M J Marrinon (Retired 26 October 2015)

Company Secretary
Mrs. L C Ainsworth
Mrs. C A Morrow

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Auditor
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