House with No Steps

Financial report
for the year ended 30 June 2014

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HOUSE WITH NO STEPS
ABN 31 001 813 403

DIRECTORS' REPORT

The directors present their report together with the financial report of House with No Steps for the year ended 30 June 2014 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

D L Cameron

M A Dorney

L M Dreves Appointed 28 October 2013

P J Friedrich

M J Marrinon

N C A Stuart Appointed 28 October 2013

E M Davies Retired 28 October 2013

P R Leighton Retired 28 October 2013

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.

HOUSE WITH NO STEPS
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DIRECTORS' REPORT

Review of operations

Operational overview

2013/14 was a fulfilling and challenging year for House with No Steps (HWNS).

The launch of the National Disability Insurance Scheme (NDIS) in July 2013 shaped the year. The NDIS is a major step forward for the human rights and dignity of people with a disability. It is exciting to see people in the NDIS trial sites receiving support for the first time and having greater choice and control in their lives. HWNS supported over 200 people to attain an NDIS plan during the year.

HWNS is a champion of the NDIS. Federal and State Ministers executed the bilateral agreement that underpins the NDIS in NSW at HWNS in Newcastle and HWNS was one of the first organisations anywhere to deliver an NDIS-funded support. We also hosted celebrations for the 2000th Hunter participant.

The NDIS has also brought challenges. A range of design and implementation issues have resulted in HWNS and other not-for-profit organisations incurring losses in their NDIS launch site operations. HWNS acted to improve our liquidity by disposing of some real estate, to ensure that we can be at the forefront of NDIS implementation.

Although a major strategic focus, the NDIS is in its infancy and so only impacted a small number of HWNS service users directly. Looking more broadly, our 2013/14 highlights include:

- Strengthening of our human rights agenda, with the extension of the Board's Human Rights Committee, new self-advocacy initiatives, growth in person-centred practices and development of our personal outcomes measurement capability and resources;
- Continued Community Services growth in regional centres across Qld and NSW, resulting in a 7% increase in service users and 11% growth in revenues;
- Launch of our Reconciliation Action Planning process;
- Accreditation by the Council on Quality & Leadership for Person-Centred Excellence. HWNS is one of four organisations in Australia and the only organisation to achieve this status in NSW, Qld and the ACT;
- Growth in the number of children and young adults with a disability whom we support;
- Formalisation of a strategic alliance with Yooralla, a leading Victorian disability organisation;
- Improved employee safety outcomes;
- Major investments in staff training & development;
- Renewal of the HWNS brand and expansion of our social media presence;
- Acquisition of 2,950 new fundraising supporters;
- Launch of a fund to encourage innovation within HWNS, with a first project funded;
- Major new customers for our Growing Care, MediRedi, Aussie Biscuits, packaging and recycling businesses;
- A strengthened balance sheet, despite tough trading conditions.

2013/14 was also a year of financial challenges. Revenue grew by 4.4 % to $124.6 million, with an overall breakeven outcome. Our Australian Disability Enterprises (ADEs) operated in a tough trading, policy and funding environment, forcing difficult restructuring decisions, including the merging of packaging at Belrose and Bantry Bay and the closure of the Upper Crust cafe at Normanhurst.

Most importantly, our employees and volunteers once again facilitated many thousands of personal outcomes and achievements – big and small – amongst the 3,000+ people with a disability whom we support and employ. This is the reason that HWNS exists and the driving force that keeps us pressing forward.

Financial performance

Total revenue grew 4.4% to $124.6m (2013: $119.3m), due to continuing expansion in Community Services. Net profit was $0.007m (2013: $0.005m). Other comprehensive income increased this result to $0.27m (2013: $0.44m).

Community Services: Community Services revenue from governments and service users increased by 10.6% to $97.3m (2013: $88.5m). This also includes $2.0m for service provision to NDIS participants in NSW. Revenue from services in NSW and ACT was 76.7% and 2.8% respectively of total revenue, Qld services were 19.6% with the reinvigorated “Transition to Work” programs under the CHOICE Solutions brand and the new Children’s Foster Services generating in total 0.9%. Operations were conducted at 198 HWNS sites across NSW, ACT and Qld and a broad range of other community settings.

The full year net result was break even (2013: $1.7m).This includes $0.7m of restructuring costs relating mainly to the Sydney region’s restructure which was undertaken in the first half of the year. Community Services results were also impacted by a retrospective adjustment to annual leave provision of $0.3m and first year operating losses for CHOICE Solutions and Children’s Fostering Services totalling $0.4m. A stronger operating performance from Community Services in NSW and ACT was offset by weaker performance in Queensland, which experienced high employee attrition resulting in historically higher direct labour costs and poorer overhead control.

Businesses (ADEs): Trading and funding conditions remained challenging for most businesses. Total sales were 6.8% less than last year. Strong focus on the drivers of gross profit resulted in the margin increasing by 2% and so gross profit was $0.2m higher than last year. However, government funding was $0.6m lower since we supported 23 fewer employees with a disability. Trading and shared services expenses were in total $1.0m lower than in 2013 and so the net deficit for businesses at ($2.3m) was a $0.6m improvement on the previous year.

Whilst sales fell by $1.1m, this shortfall related largely to sales from businesses that were discontinued in 2013, offset by sales increases from our packaging and grounds maintenance operations. The performance of both operations has benefited this year from a more professional sales approach and lower indirect labour costs resulting from last year’s restructure.

Fundraising: Fundraising was also challenging. Revenue including bequests of $0.2m (2013: $0.6m) totalled $3.6m (2013: $4.7m). The principal source of fundraising revenue was again raffle ticket sales. Gross proceeds from raffles were $1.8m (2013: $2.6m). Five raffles were drawn during the year with ticket sales for the first two raffles significantly below expectations, prompting a restructure in the call centre in December 2013. However net raffles proceeds for the remainder of the year did not recover the losses incurred by the first two raffles nor the restructuring costs and so the raffles’ net loss was ($0.3m) (2013: $0.2m). General fundraising’s net profit was $0.2m ($0.6m). This result includes a write off of ($0.2m) for donor acquisition campaigns capitalised last year.

Education and Training: Our registered training organisation recorded a break even result (2013: ($0.1m)) whilst delivering over 220,000 hours of training, representing a major investment in our staff. Costs were lower, following on from a restructure late last year.

DIRECTORS' REPORT

Shared Services: Shared Services’ costs were 5.7% higher than last year but 2.4% lower than planned. Only $0.2m (2013: $0.0m) of shared services costs remained unallocated to the operational functions. These costs were incurred in relation to the Yooralla alliance and restructuring.

Investments: Dividend income from our investment portfolio and interest income from cash deposits at $0.8m were in total $0.1m more than last year because of an increase in average funds on deposit. Dividend income was steady. The market value of our investment portfolio increased by 7.8%.

Other Income: Three properties were sold this year with the endorsement of the Asset Management Review Committee This committee was formed last year at the direction of the board to consider how HWNS could best leverage its assets for future growth.

One property was deemed inappropriate for future Community Services’ use and two properties were surplus to our needs. The sale proceeds were $3.155m and after deducting the written down value of the properties sold and related sale costs the net gain was $1.794m. Profit from the sale of investments increased the net gain to $1.822m.

Overall result: The need to invest in organisational change and renewal in Community Services ahead of the NDIS was made difficult by the Businesses’ losses and Fundraising underperformance. However investment income from cash deposits and our share portfolio continued to grow and with net profits from asset disposals this offset operational losses. Once again we are reporting a small profit of $0.007m (2013: $0.005m). Revaluation of our investment portfolio increases this to $0.27m (2013: $0.44m).

Net cash from operating activities was $5.8m (2013: $2.8m).Lower operating working capital and an increase in government funds paid in advance of service delivery were the main reason for this improved result. Proceeds from asset sales exceeded both the cost of assets sold and our capital investment in plant property, equipment and new donor acquisition programs by $0.6m. With inclusion of our dividend income of $0.2m our net cash from investing activities increased by $0.8m. Cash increased by $6.6m to $14.4m (2013: $7.8m) by the end of the financial year.

Outlook: Total operating revenue is budgeted to increase by $16.4m or 13.2% to $140.7m for the second year of our three-year “Evolve, Create, Innovate” strategic plan. Increased investment in strategy and partnerships and a higher level of capital investment are also planned.

State and federal funding indexation does not cover the full increase in input costs, particularly wages. NDIS pricing for some services is also extremely low and the cost of doing business with the National Disability Insurance Agency is high. Hence gross margin improvement and close overhead cost controls are key elements of our operating plan as benefits continue to be realised from greater central control of motor vehicle, property and procurement costs.

Each division has budgeted for increased revenue. Given its scale, Community Services is the main driver of the budgeted increase in revenue for 2014/2015 as it continues its growth trajectory of the last four years.

An operating profit of $0.2m is budgeted for 2014/2015. A significant turnaround in Businesses is the key driver of the budgeted improvement in the operating results. The businesses are budgeting to realise further benefit from restructuring in the last two years and the cessation of unprofitable businesses. The full year effect of new business in 2014/2015 and improved seasonal performance from Summerland House Farm also contribute to the budgeted improvement.

The inclusion of financial income, capital funding and bequests increases the budgeted net profit to $2.6m.

DIRECTORS' REPORT

Vision, Mission and Values

Our Vision, Mission and Values are unchanged and continue to guide our Board, staff and other stakeholders in all aspects of decision-making.

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

Mission: To create opportunities for people to make the most of their abilities

Values: Empowerment, Respect, Inclusion, Commitment and Achievement.

Strategy

Our 2013-16 “Evolve, Create, Innovate” strategic plan continues HWNS’ journey of change and renewal within a human rights and values-based framework.

Our “Evolve” initiatives focus on what we currently do, improving where we need to and growing and strengthening our position so we can coach and assist more people.

Our “Create” initiatives build new products and services in a highly individualised and person-centred manner to meet the current and future needs and aspirations of adults and children with a disability. They are also about partnering, new employment models, simpler business processes and smart use of technology to support more personalised and efficient ways of working.

Our “Innovate” initiatives are about fostering new ideas, partnerships and viable options for long-term impact and success.

The HWNS strategic plan is documented in a separately available booklet.

Outcomes

More people supported. HWNS supported more than 3,000 people in 2013/14. Community Services supported 2,483 people over the course of the year, up 7%. A further 527 people with a disability were employed in our Businesses at year-end, a contraction of 9% following business restructuring. 87 Community Services clients self-identify as Aboriginal or Torres Strait Islander people and 20% of service users in Northern Queensland are indigenous.

Successful NDIS transitions. HWNS supported 220 people, along with their families and carers, to transition to the NDIS during the first year of the Hunter trial. These people include 92 service users, 117 supported employees receiving transitional funding and 11 participants who receive both community services and employment support. We have provided one-on-one NDIS transition support to these people and their families to understand the scheme, identify goals, apply for the NDIS and transform their plans into reality. 2013/14 billing to the National Disability Insurance Agency totalled $2.0m.

Growth in self-direction. By the end of the year, 100 service users outside the Hunter NDIS launch site were self-directing their supports.

Growth in children’s services. Children with a disability are now 7% of our service users. This includes 10 children with a disability in our new foster care program, where we had 9 approved foster carers at year-end.

Growth in Transition to Work. CHOICE Solutions, our redesigned and rebranded Transition to Work suite of services, supported 310 clients in programs in NSW and Queensland. 25% of CHOICE clients are from culturally and linguistically diverse backgrounds.

DIRECTORS' REPORT

Sector leadership. HWNS presented at 43 forums during the year, including NDIS and NDS organised events in the ACT and Qld. HWNS developed and delivered a non-accredited training module on Transitioning to NDIS to support other disability service providers in Qld.

Employee development. 700 employees participated in accredited training, a 10% increase on the previous year. There was a 35% increase in the achievement of accredited qualifications. We partnered with the NDS "Aboriginal Jobs Together" program to provide traineeships to 3 Aboriginal employees.

New business contracts. Our Growing Care customers now include 3 IKEA stores, 2 TAFE colleges in Newcastle and Hunter Water, where we maintain grounds for 19 water treatment plants. Our business relationship with Telstra continues to grow, as we provide grounds maintenance at more sites in NSW and Qld and some property maintenance. Newcastle-based MediRedi, our largest packaging operation, opened a new clean room facility at our Minchinbury site in Sydney late in the financial year. MediRedi's new customers in 2013/2014 include NT Police, Qld Health and the Australian Defence Force.

Reconciliation Action Plan. We launched our Reconciliation Action Planning process with strong local community involvement in Townsville in May 2014, during National Reconciliation Week. We aim to make HWNS a more inclusive and supportive organisation for indigenous employees and enhance opportunities for our service users by fostering improved connections with local indigenous communities.

Employee retention. HWNS employed 2,307 people at year-end. Voluntary permanent employee attrition increased by 3% to 16% over the course of the year to be just below the industry average. The increase is attributable to part-time employees leaving HWNS. Involuntary permanent attrition rose by 1% to 7% as we reshaped the organisation to meet the opportunities and challenges ahead.

Supported employee wage growth. Our supported employees on average work 26 hours per week compared to the national average of 23.6 hours. Average hourly wages increased 6% over the year.

Safer workplaces. Improved safety performance saw our long-term injury frequency rate fall 29% - a pleasing result. Unfortunately, a retrospective adjustment by WorkCover NSW of the "Industry's Claims Cost Rate" negated the financial benefits of this improvement, with our NSW premium reducing only slightly to 4.1% of wages (2013: 4.8%).

New quality accreditations. We achieved CQL accreditation for Person-Centred Excellence, our Qld Children's Services License, Qld Human Service Quality Framework accreditation and NSW Disability Services Standards Third Party Verification (a new state government requirement).

The future

These are exciting times, as our nation embarks on a bold new journey to honour its human rights obligations to citizens with disability.

HWNS heads into 2014/15 with a strong reputation, clear strategy, solid balance sheet, outstanding employees and 3,000 satisfied customers – our service users, their families and carers. We see more bumps in the road ahead – particularly around the shape of the NDIS and the future of ADEs – but also great opportunities to continue our journey of person-centred excellence and growth, with more impact in the lives of more children and adults as a result.

Thank you

HWNS depends on the goodwill and support of many stakeholders for our continued operation and impact. These stakeholders include our financial supporters, volunteers, funding agencies, employees, business customers, partner organisations, local communities and most of all the people we support, their families and carers.

Thank you most sincerely for your support.

Information on directors and company secretaries

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 and Asset Management Review Committees 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	Chair of the Audit & Risk Committee and member of the Nomination Committee.
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. Board member and Vice President of National Disability Services.
Special responsibilities	Member of the Nomination and Asset Management Review Committees and ex-officio member of the Human Rights Committee.
D L Cameron	Director
Qualifications	BA, MMgmt, MBA, FAIM, FAICD, FAMI, CPM
Experience	Appointed October 2011. Many years experience as a senior manager in corporate and not-for-profit organisations. Currently owns a number of franchise businesses and is involved in other not-for-profit board activities.
Special responsibilities	Member of the Audit & Risk, and Asset Management Review Committees.

DIRECTORS' REPORT

Information on directors and company secretaries (Continued)

M A Dorney	Director
Qualifications	BCom, LLB, FFin, FAIM, FAICD
Experience	Appointed October 2012. Held a number of professional positions which include Chief Executive Officer, Investment Banker and Commercial Lawyer. He is currently Managing Director of Grant Samuel and Vice Chairman of Australia Taiwan Business Council.
Special responsibilities	Chair of the Asset Management Review Committee.
L M Dreves	Director (Appointed 28 October 2013)
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	Member of the Audit & Risk Committee.
P J Friedrich	Director
Qualifications	BBus, JP, MPC, GAICD
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 39 years.
Special responsibilities	Chair of the Human Rights Committee and member of the Nomination Committee.
M J Marrinon	Director
Experience	Appointed June 2011. Extensive experience in business, government enterprise and the disability sector. Previously Chief Executive of the Cootharinga Society of North Queensland for 14 years. Chair of NDS Queensland from 2005 to 2008 and a member of the NDS National Board from 2005 until 2008.
Special responsibilities	Member of the Remuneration Committee.

DIRECTORS' REPORT

Information on directors and company secretaries (Continued)

N C A Stuart	Director (Appointed 28 October 2013)
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	Member of the 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. She has worked in the not-for-profit sector since 1996 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. 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.

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DIRECTORS' REPORT

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	7	7	6	6	-*	-*
J F Diddams	7	7	6	6	-	-
A D Richardson	7	7	-	-	-*	-*
D L Cameron	7	6	6	5	-	-
M A Dorney	7	5	-	-	-	-
L M Dreves (Appointed 28 October 2013)	5	5	4	3	-	-
P J Friedrich	7	7	-	-	6	6
M J Marrinon	7	7	-	-	-	-
N C A Stuart (Appointed 28 October 2013)	5	5	-	-	4	4
E M Davies (Retired 28 October 2013	3	-**	-	-	-	-
P R Leighton (Retired 28 October 2013)	3	3	-	-	-	-

Directors	Asset Management Review Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R C Madden	3	3	3	3	1	1
J F Diddams	-	-	2	2	-	-
A D Richardson	3	3	3	3	-	-
D L Cameron	3	2	-	-	-	-
M A Dorney	3	3	-	-	-	-
P J Friedrich	-	-	2	2	-	-
M J Marrinon	-	-	-	-	1	1
P R Leighton (Retired 28 October 2013)	-	-	-	-	1	1

* ex-officio member
** on leave of absence from start of financial year

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 2014, the total amount that members are liable to contribute if House with No Steps is wound up is $27 (2013: $27).

Signed on behalf of the board of directors.

Director: ______________________

Richard Madden

Dated this 25 day of September 2014

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HOUSE WITH NO STEPS
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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 2014, 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: 25 September 2014

HOUSE WITH NO STEPS
ABN 31 001 813 403

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue and other income			
Revenue	5	124,563,203	119,349,654
Profit on sale of non current assets	5	1,822,322	-
	5	126,385,525	119,349,654
Less: expenses			
Employee benefits expense		(95,474,595)	(89,976,180)
Occupancy expense		(8,121,823)	(7,226,067)
Motor vehicle expenses		(5,629,320)	(5,750,773)
Changes in inventories of finished goods and work in progress		138,940	(162,530)
Materials and consumables used		(4,487,563)	(4,483,963)
Depreciation and amortisation expense	6	(2,866,365)	(2,436,527)
Technology expenses		(2,105,701)	(2,049,040)
Repairs and maintenance expense		(1,860,878)	(1,370,800)
Professional fee expenses		(1,546,986)	(1,128,055)
Sales and marketing expenses		(1,160,494)	(1,306,059)
Finance costs		(50,347)	(59,095)
Fair value adjustment - biological assets		-	(54,828)
Other expenses		(3,213,101)	(3,340,762)
		(126,378,233)	(119,344,679)
Profit before income tax expense		7,292	4,975
Income tax expense		-	-
Net profit from continuing operations		7,292	4,975
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Change in fair value of available for sale financial assets, net of tax		267,356	433,781
		267,356	433,781
Other comprehensive income for the year		267,356	433,781
Total comprehensive income		274,648	438,756

The accompanying notes form part of these financial statements.

HOUSE WITH NO STEPS
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	8	14,405,422	7,812,329
Trade and other receivables	9	4,229,384	5,623,845
Inventories	10	1,205,385	1,066,445
Other assets	11	2,182,078	1,444,003
Total current assets		22,022,269	15,946,622
Non-current assets			
Biological assets	12	389,211	389,211
Other financial assets	13	3,694,855	3,228,976
Intangible assets	14	842,539	473,414
Property, plant and equipment	15	26,353,017	28,558,617
Total non-current assets		31,279,622	32,650,218
Total assets		53,301,891	48,596,840
Current liabilities			
Trade and other payables	16	5,220,903	4,554,779
Borrowings	17	900,000	3,231
Provisions	18	8,104,772	7,586,197
Other liabilities	19	6,931,075	3,788,272
Total current liabilities		21,156,750	15,932,479
Non-current liabilities			
Borrowings	17	-	900,000
Provisions	18	1,069,581	963,449
Total non-current liabilities		1,069,581	1,863,449
Total liabilities		22,226,331	17,795,928
Net assets		31,075,560	30,800,912
Funds and reserves			
Reserves	20	2,776,986	2,509,630
Retained earnings	21	28,298,574	28,291,282
Total funds and reserves		31,075,560	30,800,912

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STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Reserves $	Retained earnings $	Total funds and reserves $
Balance as at 1 July 2012		2,075,849	28,286,307	30,362,156
Profit for the year		-	4,975	4,975
Change in fair value of available for sale financial assets, net of tax		433,781	-	433,781
Total comprehensive income for the year		433,781	4,975	438,756
Balance as at 30 June 2013		2,509,630	28,291,282	30,800,912
Balance as at 1 July 2013		2,509,630	28,291,282	30,800,912
Profit for the year		-	7,292	7,292
Change in fair value of available-for-sale financial assets		267,356	-	267,356
Total comprehensive income		267,356	7,292	274,648
Balance as at 30 June 2014		2,776,986	28,298,574	31,075,560

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flow from operating activities			
Receipts from government departments, customers and fundraising		140,243,292	127,867,621
Payments to suppliers and employees		(135,025,329)	(125,575,116)
Interest received		612,027	524,947
Finance costs		(50,347)	(59,095)
Net cash provided by operating activities	22(b)	5,779,643	2,758,357
Cash flow from investing activities			
Proceeds from sale of available-for-sale assets		1,056,302	1,028,319
Proceeds from sale of other non current assets		3,156,546	-
Payment for property, plant and equipment		(1,751,836)	(1,610,964)
Payment for available-for-sale assets		(1,246,958)	(1,147,185)
Payment for intangible assets		(620,146)	(237,120)
Dividends received		222,773	207,367
Net cash provided by / (used in) investing activities		816,681	(1,759,583)
Cash flow from financing activities			
Repayment of borrowings		(3,231)	(12,531)
Net cash (used in) financing activities		(3,231)	(12,531)
Reconciliation of cash			
Cash at beginning of the financial year		7,812,329	6,826,086
Net increase in cash held		6,593,093	986,243
Cash at end of financial year	22(a)	14,405,422	7,812,329

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 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 as described in the accounting policies.

(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 and bequests 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 stated net of the amount of goods and services tax (GST).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Contributions

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

If conditions attached to the contribution must be satisfied before the organisation is eligible to receive the contribution, recognition of the contribution 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 into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The organisation does not hold derivative financial instruments.

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.

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, financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently 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 and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale financial asset reserve, as the short term diminution in value is expected to recover in the long term. 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 and loss.

Available-for-sale financial assets have no fixed maturity attached to the investments. The available-for-sale financial assets were not acquired principally for the purpose of selling in the near term.

At balance date there was no intention to dispose of any listed or unlisted investments except for transactions relating to the ongoing management and maintenance of the portfolio by the external investment manager.

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.

Financial liabilities are recognised 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.

Property 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 fixed assets 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 fixed asset 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 is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

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 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

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (Continued)

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the organisation are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the organisation will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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 expected to be settled within twelve months of the reporting date are measured at their nominal 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet 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.

Contributions made by the organisation to superannuation funds are charged as expenses when incurred.

(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 can include 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 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: CRITICAL 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. The fair value of biological assets approximates their carrying amounts as disclosed in statement of financial position and notes to financial statements and therefore no adjustment was made to the carrying value at 30 June 2014.

(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 AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2014

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.

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 variety of financial risks comprising:

(a) Market price risk
(b) Government funding risk
(c) Interest rate risk
(d) Credit risk
(e) 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.

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Government funding risk

The organisation is dependent on state and federal government sources to operate many of its services and businesses. Government sources contributed 77% (2013: 74%) of the organisation's revenues in the 2014 financial year. The risk of loss of these funding streams is considered to be material to the organisation. 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 1.5% 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 23% (2013: 26%) of revenue from non-government sources to reduce its dependence on any single government funding source.

(c) 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.

(d) 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)

(e) 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 2015 financial year.

	2014 $	2013 $
NOTE 5: REVENUE AND OTHER INCOME		
Rendering of services - Government (Note 5(b))	89,695,551	82,448,967
Rendering of services - Non-Government	10,396,594	11,213,185
Rendering of services - Service users	5,652,857	5,548,696
Rendering of services - NDIS participants	1,982,248	-
Government contributions and subsidies (Note 5(b))	5,724,359	6,159,048
Sale of goods	4,942,499	5,249,622
Training income	1,094,168	853,541
Fundraising appeals	3,362,659	4,131,366
Bequests	215,213	619,046
Auspices	-	658,536
Dividend income	222,773	207,367
Interest income	612,027	524,947
Sundry revenue	662,255	1,735,333
	124,563,203	119,349,654
Profit on sale of non current assets	1,822,322	-
	126,385,525	119,349,654

NOTE 5(b): SOURCES OF GOVERNMENT FUNDING		
Federal government	7,458,215	7,551,496
NSW government	66,015,837	63,247,350
Queensland government	19,298,896	15,173,869
ACT government	2,646,962	2,635,300
	95,419,910	88,608,015

	2014 $	2013 $

NOTE 6: OPERATING PROFIT

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

Profit on sale of non-current assets:		
- Profit on sale of property, plant and equipment	1,814,455	-
- Profit on sale of investments	7,867	-
Cost of sales	4,348,623	4,646,493
Depreciation	2,597,841	2,416,325
Amortisation	268,524	20,202
Bad and doubtful debts	115,421	361,932
Rental expense on operating leases		
- minimum lease payments	3,038,556	2,836,955
Employee benefits	95,474,595	89,976,180
Loss on fair value adjustments	-	54,828
Remuneration of auditors for:		
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

Compensation received by key management personnel of the organisation		
- short-term employee benefits	1,126,301	1,176,333
- post-employment benefits	97,564	100,338
- other long-term benefits	11,310	42,536
	1,235,175	1,319,207

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 5 as at 30 June 2014 (2013:6), including the Managing Director/CEO.

NOTE 8: CASH AND CASH EQUIVALENTS

Cash on hand	11,573	16,163
Cash at bank	5,207,746	1,672,133
Cash on deposit	9,023,240	5,855,433
Cash held by investment manager	162,863	268,600
	14,405,422	7,812,329

	2014 $	2013 $

NOTE 9: TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
CURRENT		
Trade debtors	3,909,672	3,922,731
Impairment loss	(231,262)	(282,900)
	3,678,410	3,639,831
Other receivables	550,974	1,984,014
	4,229,384	5,623,845

Impairment of trade receivables

Trade receivables are non interest bearing generally with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within Other Expenses in the statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the accumulated impairment losses were:

	2014 $	2013 $
Opening balance	282,900	190,257
Charge for the year	115,421	361,932
Amounts written off	(167,059)	(269,289)
Closing balance	231,262	282,900

NOTE 10: INVENTORIES

	2014 $	2013 $
CURRENT		
At cost		
Raw materials	364,102	382,821
Finished goods	841,283	683,624
	1,205,385	1,066,445

NOTE 11: OTHER ASSETS

	2014 $	2013 $
CURRENT		
Prepayments	1,062,347	1,041,946
Accrued income	789,259	176,637
Other current assets	330,472	225,420
	2,182,078	1,444,003

NOTE 12: BIOLOGICAL ASSETS

	2014 $	2013 $
NON CURRENT		
At fair value		
Macadamia and avocado trees	389,211	389,211

NOTE 12: BIOLOGICAL ASSETS (CONTINUED)

(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 5 years to 32 years old
- avocado trees are expected to bear crops from 5 years to 33 years old
- expectations in respect of crop bearing are based on historical observations
- selling prices, direct and overhead costs are based on actual results of the prior two financial years
- cash flows, expected over five year from existing trees, are discounted at a rate that takes into account the cost of capital plus a suitable risk factor (15%)

The fair value of biological assets approximates their carrying amounts as disclosed in statement of financial position and notes to financial statements and therefore no adjustment was made to the carrying value at 30 June 2014.

NOTE 13: OTHER FINANCIAL ASSETS

	2014 $	2013 $
NON CURRENT		
Available-for-sale financial assets		
At cost		
Shares in other corporations	-	21,875
Provision for impairment loss	-	(3,078)
	-	18,797
At fair value		
Shares in listed corporations	3,694,855	3,210,179
Total available-for-sale financial assets	3,694,855	3,228,976

Provision for impairment loss

Movements in the accumulated impairment losses were:

	2014 $	2013 $
Opening balance at 1 July	3,078	3,078
Amounts written off	(3,078)	-
Closing balance at 30 June	-	3,078

Reconciliation

	2014 $	2013 $
Opening balance	3,228,976	2,676,329
Additions	1,246,958	1,147,185
Disposals	(1,048,435)	(1,028,319)
Change in fair value of available-for-sale financial assets	267,356	433,781
	3,694,855	3,228,976

	2014 $	2013 $
NOTE 14: INTANGIBLE ASSETS		
Goodwill at cost	470,170	470,170
Provision for impairment loss	(214,170)	(214,170)
	256,000	256,000
Donor Acquisition Campaign at cost	857,266	237,120
Accumulated amortisation	(270,727)	(19,706)
	586,539	217,414
Total intangible assets	842,539	473,414

(a) Reconciliations

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

	2014 $	2013 $
Goodwill at cost		
Opening balance	256,000	256,000
Closing balance	256,000	256,000
Donor Acquisition Campaign at cost		
Opening balance	217,414	237,120
Additions	620,146	-
Amortisation	(251,022)	(19,706)
Closing balance	586,538	217,414

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Land and buildings		
At cost	27,714,406	29,588,177
Accumulated depreciation	(7,220,301)	(7,219,811)
	20,494,105	22,368,366
Leasehold improvements		
At cost	748,723	415,763
Accumulated depreciation	(363,376)	(268,512)
	385,347	147,251
Total land and buildings	20,879,452	22,515,617
Plant and equipment		
At cost	19,785,014	19,773,960
Accumulated depreciation	(14,311,449)	(13,730,960)
	5,473,565	6,043,000
Total property, plant and equipment	26,353,017	28,558,617

	2014 $	2013 $

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 $3,146,434 on government gazetted land in respect of which no communication has been received of any plans that would prevent the organisation's continued use.

(a) Details for measurement of revalued amounts

In March 2012 an independent assessment of market value for existing use was obtained for all land and buildings held at 1 March 2012. This valuation was completed by licensed valuers Chadwick Robson and was undertaken to comply with AASB 116 as part of the policy to value land and buildings every three years. The valuation at 1 March 2012 for all land and buildings held at that time, less land and buildings subsequently disposed of was $31,553,000. The fair value based on this valuation has not been reflected in the financial statements. Additions of land and buildings since 1 March 2012 with a carrying value at 30 June 2014 of $1,891,146 were not included in this valuation.

(b) Reconciliations

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

	2014 $	2013 $
Land and buildings		
Opening carrying amount	22,368,365	22,336,437
Additions	127,856	655,062
Disposals	(1,322,403)	-
Depreciation expense	(679,713)	(623,134)
Closing carrying amount	20,494,105	22,368,365
Leasehold improvements		
Opening carrying amount	147,251	180,187
Additions	297,298	-
Depreciation expense	(59,202)	(32,936)
Closing carrying amount	385,347	147,251
Plant and equipment		
Opening carrying amount	6,043,000	6,847,849
Additions	1,326,680	955,902
Disposals	(19,688)	-
Depreciation expense	(1,876,427)	(1,760,751)
Closing carrying amount	5,473,565	6,043,000

(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

		2014 $	2013 $
CURRENT			
Unsecured liabilities			
Trade creditors		944,021	661,810
Sundry creditors and accruals		4,276,882	3,892,969
		5,220,903	4,554,779

NOTE 17: BORROWINGS

		2014 $	2013 $
CURRENT			
Secured liabilities			
Mortgage loans		900,000	-
Finance lease liability		-	3,231
		900,000	3,231
NON CURRENT			
Secured liabilities			
Mortgage loans		-	900,000

(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.

The finance lease liability was secured by the asset subject to finance.

NOTE 18: PROVISIONS

		2014 $	2013 $
CURRENT			
Employee benefits	(a)	8,104,772	7,586,197
NON CURRENT			
Employee benefits	(a)	1,069,581	963,449
(a) Aggregate employee benefits liability		9,174,353	8,549,646

	2014	2013
	$	$

NOTE 19: OTHER LIABILITIES

CURRENT		
Contributions received in advance	6,931,075	3,788,272

Contributions received in advance represent government contributions and subsidies 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

Asset revaluation reserve	2,432,128	2,432,128
Available-for-sale financial asset reserve	344,858	77,502
	2,776,986	2,509,630

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: RETAINED EARNINGS

Retained earnings at beginning of year	28,291,282	28,286,307
Net profit	7,292	4,975
	28,298,574	28,291,282

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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:

	2014 $	2013 $
Cash on hand	11,573	16,163
Cash at bank	5,207,746	1,672,133
At call deposits with financial institutions	9,023,240	5,855,433
Other short-term facilities	162,863	268,600
	14,405,422	7,812,329

(b) Reconciliation of cash flow from operations with profit after income tax

	2014 $	2013 $
Profit for the year	7,292	4,975
Adjustments and non-cash items		
Amortisation and impairment losses	268,524	20,201
Depreciation	2,597,841	2,416,325
Net (gain) / loss on disposal of property, plant and equipment	(1,814,455)	-
Net (gain) / loss on disposal of financial asset	(7,867)	-
Dividends received and classified as from investing activities	(222,773)	(207,367)
Revaluation of biological assets	-	54,828
Changes in assets and liabilities		
(Increase) / decrease in receivables	1,394,461	(500,358)
(Increase) / decrease in other assets	(738,075)	(326,065)
(Increase) / decrease in inventories	(138,940)	162,530
Increase / (decrease) in payables	666,125	307,136
Increase / (decrease) in other liabilities	3,142,803	(282,975)
Increase / (decrease) in provisions	624,707	1,109,127
	5,772,351	2,753,382
Cash flows from operating activities	5,779,643	2,758,357

(c) Facility arrangements with banks

	2014 $	2013 $
Overdraft facility	1,000,000	1,000,000
Amount utilised	-	-
Unused credit facility	1,000,000	1,000,000
Mortgage	900,000	900,000
Amount utilised	(900,000)	(900,000)
Unused credit facility	-	-
Corporate credit cards	400,000	460,000
Amount utilised	(348,700)	(434,700)
Unused credit facility	51,300	25,300

NOTE 22: CASH FLOW INFORMATION (CONTINUED)

(d) Contingent liability arrangements with banks

	2014 $	2013 $
Contingent liability facility	200,000	200,000
Amount utilised	(185,932)	(109,818)
Unused loan facilities	14,068	90,182

The organisation has a bank overdraft, bank loan 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 2014 (2013 - $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 2014 (2013 - $Nil).

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	2014 $	2013 $
Finance leasing commitments		
Payable		
- not later than one year	-	3,348
Minimum lease payments	-	3,348
Less future finance charges	-	(117)
Total finance lease liability	-	3,231
Represented by:		
Current liability	-	3,231
	-	3,231

Representing finance of a motor vehicle.

	2014 $	2013 $
Operating lease commitments		
Non-cancelable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	3,919,009	4,751,188
- later than one year and not later than five years	3,538,929	3,625,556
	7,457,938	8,376,744

This represents motor vehicle, IT equipment and rental property lease commitments.

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.

	2014 $	2013 $
	-	-

	2014 $	2013 $

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) remains in force until 16 May 2015.

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. Bequests and auspices are excluded from fundraising appeal proceeds as specified in the Act. 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 surplus from fundraising appeals. Indirect costs excluded from the calculation of net surplus 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.

	2014 $	2013 $
RESULTS OF FUNDRAISING APPEALS - NET SURPLUS		
Gross proceeds from fundraising appeals	3,362,659	4,131,366
Less: Direct costs of fundraising appeals	(2,121,084)	(2,208,954)
Net surplus obtained from fundraising appeals	1,241,575	1,922,412

	2014 $	2013 $
RESULTS OF FUNDRAISING APPEALS - APPLICATION OF REVENUE		
Direct costs of fundraising appeals	2,121,084	2,208,954
Indirect costs of fundraising appeals	1,170,109	1,175,445
Provision of services	114,396,065	107,044,029
Shared services	8,690,975	8,916,251
	126,378,233	119,344,679

	2014 %	2013 %
COMPARATIVE PERCENTAGES		
Expenditure on provision of services / Total expenditure excluding direct costs of fundraising appeals (%)	92.1	91.4
Expenditure on provision of services / Income received excluding gross proceeds from fundraising appeals (%)	94.4	93.1
Direct costs of fundraising appeals / Gross proceeds from fundraising appeals (%)	63.1	53.5
Net surplus obtained from fundraising appeals / Gross proceeds from fundraising appeals (%)	36.9	46.5

NOTE 27: ORGANISATION DETAILS

The registered office of the organisation is:

House with No Steps
49 Blackbutts Road
BELROSE NSW 2085

The organisation provides services throughout New South Wales, Queensland and the Australian Capital Territory.

HOUSE WITH NO STEPS
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DIRECTORS' DECLARATION

The directors of the organisation declare that:

1. The financial statements and notes, as set out on pages 13 - 38, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

    (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulations 2013*; and

    (b) give a true and fair view of the financial position as at 30 June 2014 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 25 day of September 2014

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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 2014, the statement of comprehensive income, statement of changes in equity 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 the *Australian Charities and Not-for-profits Commission Act 2012*.

PITCHER PARTNERS

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 2014 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 2014;

(b) the financial report has been properly drawn up, and the associated records properly kept, for the year ended 30 June 2014, 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 2014 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
Partner

PITCHER PARTNERS
Sydney

25 September 2014

HOUSE WITH NO STEPS
ABN 31 001 813 403

DECLARATION BY CHIEF EXECUTIVE OFFICER IN RESPECT OF FUNDRAISING APPEALS

I, Andrew D Richardson, Chief Executive Officer 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 2014;

(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 2014;

(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 2014; and

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

Dated at Sydney this 25th day of September 2014

A.D. Richard

Andrew D Richardson
Chief Executive Officer

HOUSE WITH NO STEPS
ABN 31 001 813 403

CORPORATE DIRECTORY AS AT THE DATE OF THIS REPORT

Patron
Her Excellency, Professor Marie Bashir, AO
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. D L Cameron
Mr. M A Dorney
Ms. L M Dreves
Ms. P J Friedrich
Mr. M J Marrinon
Mr. N C A Stuart

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

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