

MISSION
AUSTRALIA

Together we stand

Consolidated Annual Financial Report 2017



Directors' Report

Page 3

Auditor's independence Declaration

Page 11

Financial Statements

Page 12 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Page 13 Consolidated Statement of Financial Position

Page 14 Consolidated Statement of Change in Equity

Page 15 Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

About this report	Our key numbers and fundraising	Our assets platform	Our financing and capital structure	Our group structure	Our people	Other disclosures
Page 16	Pages 17–20	Pages 21–29	Pages 30–39	Pages 43–46	Pages 47–48	Pages 49–50
1 Reporting entity	3 Operating segments	6 Investment property	12 Loans and borrowings	20 Equity accounted investments	23 Personnel expenses	25 Contingencies 26 Subsequent events
2 Basis of preparation	4 Revenue 5 Fundraising information	7 Property plant and equipment 8 Intangible assets 9 Commitments 10 Trade and other receivables 11 Investments	13 Provisions 14 Capital and reserves 15 Cash and cash equivalents 16 Finance income and finance costs 17 Deferred income 18 Financial risk management 19 Determination of fair values	21 Group Entities 22 Parent entity disclosures	24 Related parties	27 Members' guarantee 28 Auditor's remuneration 29 Significant accounting policies

Directors' Declaration

Page 52

Independent Auditor's Report

Page 53

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

The Directors present their report together with the consolidated financial statements of the Group comprising Mission Australia (the Company) and its controlled entities, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2017 and the auditor's report thereon.

1. Directors

The Directors of Mission Australia at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Kenneth A Dean BCom (Hons), FCPA, FAICD President and Chairman Independent Non-Executive Director	Ken was appointed President and Chairman of the Mission Australia Board in 2016 and has been a Director of Mission Australia since 2015. Ken is a Non-Executive Director of Bluescope Steel Limited, Energy Australia Holdings Limited and Virgin Australia Holdings Ltd. He has previously held directorships with Alcoa of Australia Limited, Santos Limited, Woodside Petroleum Limited and Shell Australia Limited, and Chief Financial Officer of Alumina Limited. Ken is a Member of the ASIC Director Advisory Panel and has over 40 years' experience in energy and manufacturing industries. Based in Melbourne, Ken is Chairman of the Housing Committee and the Investment and Finance Committee and a member of the Nomination, Remuneration and Succession Committee.
The Hon. Dean Brown AO, Dr. Sc. (honor causa), M.Rur.Sc, Grad.Dipl. Bus Admin, FAICD Independent Non-Executive Director	Appointed as a Director in 2012, Dean is a former Premier of South Australia, with more than 27 years' experience in the South Australian Parliament. His ministerial responsibilities included Health, Disability Services, Ageing, Aboriginal Affairs and Multicultural Affairs. Dean is Chairman of the Playford Memorial Trust and Skills IQ and was Chairman of Hillgrove Resources Ltd up until May 2017. He is also a Director of Scantech Ltd and Foodbank SA. Based in Adelaide, Dean is the Chairman of the Service Impact Committee.
Mr Grant A Dempsey, BComm Independent Non-Executive Director	Appointed as a Director in 2010, Grant is a Senior Adviser, Finance at ANZ and former Vice Chairman, Global Investment Banking at JP Morgan. Based in Melbourne, Grant is Chairman of the Nomination, Remuneration and Succession Committee and a member of the Investment and Finance Committee.

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

1. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Ian Hammond, BA (Hons), FCPA, FCA, GAICD Independent Non-Executive Director	Appointed as a Director in 2016, Ian is a Non-Executive Director of Perpetual Limited, Citibank Australia and Venues NSW (formerly Stadium Australia) and a board member for several not-for-profit organisations including Chris O'Brien Lifehouse and Quiz Worx. Previously, he was a Partner of PricewaterhouseCoopers for 26 years and has held a range of senior management positions, including lead partner for several major financial institutions. Based in Sydney, Ian is a member of the Board Audit and Risk Committee and the Housing Committee.
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD Independent Non-Executive Director	Appointed as a Director in 2011, Evelyn is an independent Director of Superannuation Trustees (part of the NAB Group), the Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board. Evelyn previously held senior executive roles in government, investment banking and risk management. Based in Sydney, Evelyn is a member of the Board Audit and Risk Committee and the Investment and Finance Committee.
Ms Jennifer Lambert, BBus, MEc, CA, FAICD Independent Non-Executive Director	Appointed as a Director in 2005, Jennifer is a Non-Executive Director of Investa Office Management Pty Ltd, Place Management NSW, Bluescope Steel Limited, the Mosman Church of England Preparatory School and the Sydney Church of England Grammar School Council and is the former Group Chief Financial Officer of 151 Property which was previously known as Valad Property Group. Based in Sydney, Jennifer is Chairman of the Board Audit and Risk Committee and a member of the Housing Committee.
Dr Karin N Sowada, PhD, BA (Hons) Independent Non-Executive Director	Appointed as a Director in 2008, Karin is an ARC Future Fellow in the Department of Ancient History, Macquarie University, a Director of Capital Research Pty Ltd, a Trustee of the Anglican Church of Australia Trust Corporation, and Chairman of the Social Issues Committee of the Anglican Church, Sydney Diocese. Karin is the former Chief Executive Officer of Anglican Deaconess Ministries Limited and served as a Senator for New South Wales on behalf of the Australian Democrats in the Federal Parliament. Based in Sydney, Karin is a member of the Service Impact Committee.

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

1. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Simon Miller, MBA, MPA, BA, MAICD Independent Non-Executive Director	Simon was appointed as a Director of Mission Australia in 2017. He is a Partner and Managing Director of The Boston Consulting Group. He previously worked with the Commonwealth Government as First Assistant Secretary at the Department of the Prime Minister and Cabinet and with the New South Wales Government including as Deputy Director-General of the Department of Water and Energy, Senior Adviser to the Premier, and Chief of Staff to the Treasurer. Prior to his time in Government, Simon worked with the Social Issues Committee of the Anglican Diocese of Sydney. Based in Sydney, Simon is a member of the Investment and Finance Committee.
Ms Debra Stirling, BA, GAICD Independent Non-Executive Director	Debra was appointed a Director of Mission Australia in 2017. She is currently a Non-Executive Director of Vicinity Limited, Chairperson of the Monash University Mining and Resources Advisory Board, a member of the PNG Government Lae Technical Training Centre of Excellence Task Force, and a member of the Victorian Government Resources Roundtable. Debra has previously served as a senior executive for over 25 years in Newcrest Mining, Rinker, CSR and Coles Myer, across industries including building & construction, retail, property, mining, financial services, agriculture and manufacturing. Based in Melbourne, Debra is a member of the Nomination, Remuneration and Succession Committee and the Service Impact Committee.
Mr Nicholas S Barnett, BEc, CA, FAICD Independent Non-Executive Director	Appointed as a Director in 2008, Nicholas retired as a Director of Mission Australia on 21 August 2017.
Mr Ewen G W Crouch AM, BEc (Hons), LLB FAICD Independent Non-Executive Director	Appointed President and Chairman of Mission Australia in 2009 and a Director since 1995. Ewen retired as a Director of Mission Australia at the Annual General Meeting in November 2016.

2. Company Secretary

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

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

3. Directors' meetings

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

Director	Board Meetings		Board Audit and Risk Committee Meetings		Nomination, Remuneration and Succession Committee Meetings		Service Impact Committee Meetings		Investment and Finance Committee Meetings		Housing Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Kenneth A Dean	9	9	2 [^]	2 [^]	3	3	2 [^]	2 [^]	3	3	2	2
Dean Brown AO	9	9	-	-	-	-	3	3	-	-	-	-
Grant A Dempsey	7	9	-	-	3	3	-	-	2	3	-	-
Ian Hammond	9	9	4	4	-	-	-	-	-	-	4	5
Evelyn Horton	8	9	4	4	-	-	-	-	3	3	-	-
Jennifer Lambert	8	9	4	4	-	-	-	-	-	-	5	5
Karin N Sowada	9	9	-	-	-	-	3	3	-	-	-	-
Simon Miller [#]	4	4	-	-	-	-	-	-	-	-	-	-
Debra Stirling [#]	4	4	-	-	-	-	-	-	-	-	-	-
Nicholas S Barnett	8	9	-	-	-	-	3	3	-	-	-	-
Ewen G W Crouch AM*	3	3	1 [^]	2 [^]	2	2	1 [^]	2 [^]	-	-	2	3

A – Number of meetings attended

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

* Retired at 2016 AGM # Appointed during the year ^ Attended by invitation

Leave of absence granted where Directors were not able to attend meetings.

4. Corporate governance

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

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

4. Corporate governance (continued)

The Mission Australia Board has overall responsibility for the financial performance of the Mission Australia Group and the achievement of its founding purpose. The Mission Australia Board recognises its role in overseeing the determination and implementation of policies and processes that reflect good corporate governance aligned with the ACNC Governance Standards, our contractual commitments and stakeholder expectations that together with our Values inform and guide the organisation.

Mission Australia's full corporate Governance Statement is available on the Mission Australia website at missionaustralia.com.au.

5. Principal activities and objectives

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

6. Operating and financial review

6.1 Overview of the Group

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

6.2 Review of operations and results

The Group reported an underlying operating surplus of \$15.4 million (2016: \$14.5 million) which includes fundraising revenue from generous donors and supporters of both Mission Australia and Sir David Martin Foundation. The net surplus for the year of \$50.2 million (2016: \$47.2 million) also includes a range of non-operating items, revenue recognised on the receipt of capital and housing grants and increases in the fair value of social and affordable housing properties.

In thousands of AUD

	2017	2016
		Restated*
Revenue	279,702	286,283
Expenditure	(264,335)	(271,806)
Underlying surplus	15,367	14,477
Net investing and finance income	3,068	1,221
Other non-operating costs	-	1,323
Impairment of equity accounted investees	-	(8,668)
Share of loss of joint venture	(977)	(1,321)
Net surplus before capital grants and housing properties	17,458	7,032
Capital and Housing grants	11,939	5,345
Change in fair value of investment properties	20,822	34,831
Net surplus for the year	50,219	47,208

* See note 7

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

6. Operating and financial review (continued)

6.2 Review of operations and results (continued)

Mission Australia is primarily focused on the provision of community services, social and affordable housing and early learning services that are aligned with the organisations strategic goal to reduce homelessness and strengthen communities.

During the year, financial discipline and viability of services has remained an important focus to ensure long term sustainability of the organisation.

The underlying surplus benefited from generous donations and bequests received from supporters of Mission Australia and Sir David Martin Foundation. Fundraising and government grants enabled Mission Australia to develop Benjamin Short Grove, an aged care facility in Orange for the formerly homeless, and the David Martin Centre, a detox facility adjacent to our current youth alcohol and other drug rehabilitation service - Triple Care Farm. Both of these facilities were completed during the financial year.

6.3 Significant changes in the state of affairs

In the opinion of the Directors, other than as set out in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

7. Events subsequent to reporting date

Mission Providence Pty Ltd (Mission Providence) is a joint venture in which Mission Australia holds a 25% economic interest. On 10 August 2017, its shareholders agreed to the sale of Mission Providence to Konekt Limited, subject to the consent of the Department of Employment, for a purchase price of \$24.0 million. Completion occurred on 29 September 2017 and, after adjustments Mission Australia received \$6.8 million for its economic interest to record a gain on the sale of \$6.6 million.

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

8. Likely developments

Mission Australia Housing is in a consortium with Frasers Property Group and Citta Property Group to develop a new mixed tenure community in Sydney's Macquarie Park, transforming the existing Ivanhoe Estate. Mission Australia will deliver services at the location to strengthen the community and offer housing tenants a suite of tailored, person centred supports and services. The development will deliver at least 950 new social housing dwellings and 128 affordable rental properties over a 10 year period with the first social housing and services not expected to be active for at least 3 years.

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

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

9. Directors' interests

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

10. Indemnification and insurance of officers and Directors

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

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

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

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

11. Performance measurements

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

The Board reviews performance based on business segments, which are identified by the type of services being provided. Refer to Note 3 *Operating segments* for more details on performance of individual business segments.

12. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' Report for the financial year ended 30 June 2017.

13. Registered office

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

Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

14. Founder

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

15. Founding Purpose

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

16. Rounding off

The Group is of a kind referred to in *ASIC Corporations* (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

17. Notice of meeting

The Annual General Meeting of Mission Australia will be held on 22 November 2017 at Level 7, 580 George Street, Sydney NSW 2000, where this report will be presented.

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



Kenneth Dean

President and Chairman
Sydney, 17 October 2017



Jennifer Lambert

Chairman, Board Audit and Risk Committee
Sydney, 17 October 2017



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

To: the directors of Mission Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

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

KPMG

A handwritten signature in black ink that reads "Anthony Travers".

KPMG

Anthony Travers

Partner

Sydney

17 October 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

For the year ended 30 June 2017

In thousands of AUD

	Note	2017	2016 Restated*
Revenue from rendering services	4	222,461	227,140
Revenue from rental	4	22,044	21,102
Revenue from sale of goods	4	4,476	6,401
Revenue from fundraising	4	27,989	30,671
Change in fair value of investment properties	4	20,822	34,831
Revenue from capital and housing grants	4	11,939	5,345
Other revenue	4	2,733	2,327
Total revenue for the year		312,464	327,817
Personnel expenses	23	(169,372)	(169,835)
Occupancy and accommodation expenses		(30,046)	(30,338)
Transport and equipment hire expenses		(7,702)	(9,106)
Communication expenses		(12,999)	(12,189)
Client expenses		(9,477)	(10,569)
Depreciation and amortisation expense	7,8	(6,338)	(8,436)
Insurance expenses		(1,564)	(1,542)
Other expenses		(25,692)	(28,845)
Total expenses for the year		(263,190)	(270,860)
Results from operating activities		49,274	56,957
Finance income		3,418	1,507
Finance costs		(1,496)	(1,267)
Net finance income	16	1,922	240
Impairment of equity accounted investees	20	-	(8,668)
Share of loss of joint venture	20	(977)	(1,321)
Net surplus for the year		50,219	47,208
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		1,175	(1,295)
Other comprehensive income for the year		1,175	(1,295)
Total comprehensive income for the year		51,394	45,913

* See note 7

Consolidated Statement of Financial Position

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

As at 30 June 2017

<i>In thousands of AUD</i>	Note	2017	2016 Restated*	2015 Restated*
Assets				
Cash and cash equivalents	15	22,741	38,205	39,163
Trade and other receivables	10	11,561	12,807	13,259
Investments	11	52,595	27,121	17,012
Prepayments and other assets		3,099	3,431	4,196
Total current assets		89,996	81,564	73,630
Trade and other receivables	10	6,612	6,483	6,530
Investments	11	2,200	2,200	-
Investments in equity accounted investees	20	224	1,201	14,774
Investment property	6	28,368	20,284	12,016
Investment property - restricted	6	386,850	366,999	333,413
Property, plant and equipment	7	82,631	66,860	66,096
Intangible assets	8	1,796	3,590	6,331
Total non-current assets		508,681	467,617	439,160
Total assets		598,677	549,181	512,790
Liabilities				
Trade and other payables		20,694	22,214	26,954
Provisions	13	4,109	8,514	11,346
Loans and borrowings	12	-	-	724
Employee benefits		12,111	11,953	12,300
Deferred income	17	18,264	17,510	22,106
Total current liabilities		55,178	60,191	73,430
Other payables		3,673	3,584	3,338
Provisions	13	3,947	3,042	3,917
Loans and borrowings	12	22,930	21,050	16,500
Employee benefits		2,795	2,604	3,206
Deferred income	17	448	398	-
Total non-current liabilities		33,793	30,678	26,961
Total liabilities		88,971	90,869	100,391
Net assets		509,706	458,312	412,399
Equity				
Cash flow hedging reserve	14	(982)	(2,157)	(862)
Accumulated surplus	14	121,179	93,227	83,812
Restricted accumulated surplus	14	389,509	367,242	329,449
Total equity		509,706	458,312	412,399

* See note 7

Consolidated Statement of Changes in Equity

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

For the year ended 30 June 2017

In thousands of AUD

	Cash flow Hedge Reserve	Accumulated Surplus	Restricted Accumulated Surplus	Total Equity
Balance at 1 July 2015 (restated*)	(862)	83,812	329,449	412,399
Total comprehensive income for the year				
Surplus (restated*)	-	9,415	37,793	47,208
Other comprehensive income / (loss)				
Effective portion of changes in fair value of cash flow hedging reserve	(1,295)	-	-	(1,295)
Total comprehensive (loss) / income for the year	(1,295)	9,415	37,793	45,913
Balance at 30 June 2016 (restated*)	(2,157)	93,227	367,242	458,312
Balance at 1 July 2016	(2,157)	93,227	367,242	458,312
Total comprehensive income for the year				
Surplus	-	27,952	22,267	50,219
Other comprehensive income / (loss)				
Effective portion of changes in fair value of cash flow hedging reserve	1,175	-	-	1,175
Total comprehensive income for the year	1,175	27,952	22,267	51,394
Balance at 30 June 2017	(982)	121,179	389,509	509,706

* See note 7

Consolidated Statement of Cash Flows

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

For the year ended 30 June 2017

In thousands of AUD

Cash flows from operating activities

	Note	2017	2016
Cash receipts from customers		323,976	321,808
Cash paid to suppliers and employees		(291,658)	(307,342)
Cash generated from operations		32,318	14,466
Interest received	16	1,551	1,336
Interest paid		(1,146)	(981)
Net cash from operating activities	15	32,723	14,821

Cash flows from investing activities

	Note	2017	2016
Proceeds from dividend	16	131	105
Payments for fixed assets and investment properties		(26,486)	(12,458)
Payments for intangible assets	8	(154)	(1,342)
Proceeds from sale of assets		415	1,853
Proceeds from sale of financial assets		27	4,663
Payments for investments		(24,000)	(12,200)
Net cash (used in) investing activities		(50,067)	(19,379)

Cash flows from financing activities

	Note	2017	2016
Proceeds from bank borrowings	12	1,880	4,550
Repayment of borrowings		-	(724)
Payment of borrowing cost		-	(226)
Net cash from financing activities		1,880	3,600
Net decrease in cash and cash equivalents		(15,464)	(958)
Cash and cash equivalents at 1 July		38,205	39,163
Cash and cash equivalents at 30 June	15	22,741	38,205

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

About this report

1. Reporting entity

Mission Australia (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW 2000 Australia. The consolidated financial statements of the

Company as at and for the year ended 30 June 2017 comprise the Company and its controlled entities (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

- The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The consolidated financial statements were authorised for issue by the Board of Directors on 17 October 2017.
- The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- Investment properties are measured at fair value.

The methods used to measure fair values are discussed further in Note 19. The financial report has been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Our key numbers and fundraising

This section provides the information that is the most relevant to understanding the financial performance of the Group during the financial year including the performance of divisions and fundraising.

Mission Australia continues to receive generous financial support from a broad cross section of Australian society.

3. Operating segments

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

Division	Primary activities
Community services	The improvement of health, well-being, social and economic participation of Australians who are disadvantaged as well as supporting access to stable, secure and long-term accommodation / crisis accommodation.
Housing services	The provision of social and affordable housing to people in need.
Early learning	The provision of high-quality early learning and long day care for children operated by Mission Australia Early Learning.
Fundraising	Fundraising activities raises money from donors to contribute towards current and future services that meet human need. This segment combines the fundraising activities of both Mission Australia and the Sir David Martin Foundation.
Other	Other operations include corporate services and miscellaneous activities other than those listed above.

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

3. Operating segments (continued)

Information about reportable segments	Community Services	Housing Services	Early Learning	Fundraising	Other	Total
2017						
<i>In thousands of AUD</i>						
Operating revenue	184,057	19,744	45,078	-	102	248,981
Fundraising revenue	-	-	-	27,989	-	27,989
Changes in fair value of investment properties	-	20,822	-	-	-	20,822
Capital and Housing grants	11,791	148	-	-	-	11,939
Other	2,240	-	11	-	482	2,733
Segment revenues	198,088	40,714	45,089	27,989	584	312,464
Underlying Segment surplus / (deficit)	6,678	1,106	(4,987)	18,130	(5,560)	15,367
Net investing and Finance income	10	192	(11)	213	2,664	3,068
Movement in net assets of Joint Venture	-	-	-	-	(977)	(977)
Capital and Housing grants	11,791	148	-	-	-	11,939
Changes in fair value of investment properties	-	20,822	-	-	-	20,822
Reportable segment surplus / (deficit)	18,479	22,268	(4,998)	18,343	(3,873)	50,219
Interest income	10	192	-	84	1,265	1,551
Interest expense	-	(1,146)	(11)	-	(339)	(1,496)
Depreciation expense	(724)	(253)	(333)	-	(2,157)	(3,467)
Amortisation expense	(1)	(334)	(10)	-	(1,603)	(1,948)
Other	2,240	-	11	-	482	2,733
Reportable segment assets	350	430,643	1,933	8,987	156,764	598,677
Capital expenditure	15,043	7,246	53	-	4,144	26,486
Reportable segment liabilities	(15,958)	(28,636)	(9,497)	(46)	(34,834)	(88,971)
2016	Community Services	Housing Services	Early Learning	Fundraising	Other	Total
<i>In thousands of AUD</i>						
Operating revenue	182,511	19,385	48,123	-	4,624	254,643
Fundraising revenue	-	-	-	30,671	-	30,671
Changes in fair value of investment properties	-	34,831	-	-	-	34,831
Capital and Housing grants	5,125	220	-	-	-	5,345
Other	1,943	3	14	-	367	2,327
Segment revenues	189,579	54,439	48,137	30,671	4,991	327,817
Underlying Segment surplus	4,025	697	(1,937)	17,867	(6,175)	14,477
Net investing and Finance income	10	207	(10)	47	967	1,221
Impairment of equity accounted investees	-	-	-	-	(8,668)	(8,668)
Share of loss of joint venture	-	-	-	-	(1,321)	(1,321)
Other non-operating cost	384	773	126	-	40	1,323
Capital and Housing grants	5,125	220	-	-	-	5,345
Changes in fair value of investment properties	-	34,831	-	-	-	34,831
Reportable segment surplus / (deficit)*	9,544	36,728	(1,821)	17,914	(15,157)	47,208
Interest income	10	207	-	34	1,085	1,336
Interest expense	-	(981)	(10)	-	(276)	(1,267)
Depreciation expense*	(817)	(271)	(436)	-	(2,457)	(3,981)
Amortisation expense	(1)	(403)	(10)	-	(4,042)	(4,456)
Other	1,943	3	14	-	(127)	1,833
Equity accounted and Joint Venture	-	-	-	-	(9,989)	(9,989)
Restated reportable segment assets*	304	403,236	4,083	209	141,349	549,181
Capital expenditure	3,074	7,095	304	-	1,985	12,458
Reportable segment liabilities	(15,392)	(27,502)	(10,941)	(409)	(36,625)	(90,869)

* See note 7

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

4. Revenue

In thousands of AUD

Revenue from rendering services :

Community Services
Housing
Early Learning
Other

	2017	2016
Community Services	173,075	169,641
Housing	2,320	3,090
Early Learning	44,916	47,974
Other	2,150	6,435
	222,461	227,140
Revenue from rental	22,044	21,102
Revenue from sale of goods	4,476	6,401
Revenue from fundraising	27,989	30,671
Change in fair value of investment properties	20,822	34,831
Revenue from capital and housing grants	11,939	5,345
Other miscellaneous revenue	2,733	2,327
	312,464	327,817

Accounting Policy

Services revenue

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

Rental revenue

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

Sale of goods

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

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

revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Fundraising revenue

Fundraising revenue is recognised on receipt of cash or credit card donations. Pledges are only recognised as income if they are enforceable.

Change in Fair Value of Investment Properties

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

Revenue from capital and housing grants

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

5. Fundraising information

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

Fundraising appeals conducted during the year

In thousands of AUD

Results of fundraising appeals

- | | | |
|-----|--|--|
| (a) | Gross proceeds from fundraising appeals | |
| | Less: direct costs of fundraising appeals | |
| | Net surplus obtained from fundraising appeals | |
| (b) | Application of net surplus obtained from fundraising appeals | |
| | Community services expenditure | |

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

	2017	2016
	27,989	30,671
	(5,811)	(6,260)
	22,178	24,411
	161,834	164,825

Gross proceeds from fundraising appeals for 2017 includes bequests of \$7.4 million (2016: \$11.7 million).

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Our assets platform

This section provides information relating to the operating assets and liabilities of the Group. Mission Australia is committed to long term financial sustainability and growth.

6. Investment property

In thousands of AUD	Group Properties	SHGF	NBESP	Camperdown Common Ground	Total
Fair value					
Balance at 1 July 2015 (restated*)	12,016	37,438	262,975	33,000	345,429
Purchased and capital expenditure	7,023	-	-	-	7,023
Received as stock transfer	220	-	-	-	220
Disposal	(220)	-	-	-	(220)
Change in fair value	1,245	4,358	26,258	2,970	34,831
Balance at 30 June 2016	20,284	41,796	289,233	35,970	387,283
Balance at 1 July 2016	20,284	41,796	289,233	35,970	387,283
Purchased and capital expenditure	7,156	-	-	-	7,156
Received as stock transfer	90	-	-	-	90
Disposal	(133)	-	-	-	(133)
Change in fair value	971	2,567	14,254	3,030	20,822
Balance at 30 June 2017	28,368	44,363	303,487	39,000	415,218

* See note 7

Group Properties

Mission Australia Group Properties include investment properties for Mission Australia and Mission Australia Housing. These properties have no restrictions on them.

Social Housing Growth Fund grant (SHGF)

Mission Australia Housing received grants in the past from the New South Wales Land and Housing Corporation to purchase properties that could be affordably rented by people in need. One of the grant conditions provided that Mission Australia Housing secured additional finance of \$14.0 million, by using the properties purchased from the SHGF grant as a security which was achieved with a facility in 2011. This facility remains fully drawn.

Nation Building Economic Stimulus Plan (NBESP)

In 2011, Mission Australia Housing was successful in its tender application to take on the ownership management of 68 property sites containing 1,055 dwelling units from Housing NSW.

The project is being delivered under the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative.

Camperdown Common Ground

In December 2014, Mission Australia Housing received ownership from Housing NSW in relation to 104 units at 31 Pyrmont Bridge Road, Camperdown that were previously managed under a leasehold agreement as part of the Camperdown Common Ground Project.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

6. Investment property (continued)

Restrictions

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

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

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

Security

At 30 June 2017, investment properties with a carrying amount of \$347.8 million; (2016: \$331.0 million) are subject to a mortgage to secure bank loans.

Accounting Policy

Recognition and measurement

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

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

Valuation methodology

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

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

7. Property, plant and equipment

	<i>Land and buildings</i>	<i>Leasehold Improvement</i>	<i>Plant and Equipment</i>	<i>IT Assets</i>	<i>Capital Work In Progress</i>	<i>Total</i>
<i>In thousands of AUD</i>						
Restated carrying amount as at 1 July 2015	57,210	4,540	2,125	1,058	1,163	66,096
Additions	-	1,278	506	1,008	2,596	5,388
Disposals	-	(72)	(571)	-	-	(643)
Depreciation	(672)	(1,708)	(800)	(801)	-	(3,981)
Restated balance at 30 June 2016	56,538	4,038	1,260	1,265	3,759	66,860
Assets cost	61,969	14,637	5,901	4,460	3,759	90,726
Accumulated depreciation	(5,431)	(10,599)	(4,641)	(3,195)	-	(23,866)
Carrying amount as at 1 July 2016	56,538	4,038	1,260	1,265	3,759	66,860
Additions	19,483	1,935	954	717	(3,759)	19,330
Disposals	-	(3)	(89)	-	-	(92)
Depreciation	(678)	(1,485)	(587)	(717)	-	(3,467)
Balance at 30 June 2017	75,343	4,485	1,538	1,265	-	82,631
Assets cost	81,452	11,614	5,650	5,157	-	103,873
Accumulated depreciation	(6,109)	(7,129)	(4,112)	(3,892)	-	(21,242)

Land and buildings are held at cost less accumulated depreciation.

Security

At 30 June 2017, Land and buildings with a carrying amount of \$42.1 million (2016: \$42.2 million) are subject to a mortgage to secure bank loans.

Change in accounting policy

During the year, the Group changed its accounting policy in relation to the valuation of land and buildings - from fair value to cost. The decision was made as cost less accumulated

depreciation carrying value better reflects the Group's use of the land and buildings.

Due to the age of several properties, deemed cost has been used based upon historical financial records.

The change resulted in land and building being adjusted back to a cost less accumulated depreciation carrying value. The change in carrying values has been affected by restating each of the financial statement line items for prior periods. The following table summarises the impacts on the Group's Financial Statements.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

7. Property, plant and equipment (continued)

Change in accounting policy (continued)

Consolidated statement of financial position

In thousands of AUD

As at 30 June 2016

Total current assets

Investment property

Property, plant and equipment

Other assets

Total assets

Total current liabilities

Total non-current liabilities

Total liabilities

Accumulated surplus

Asset revaluation reserve

Other reserves

Total equity

Consolidated statement of profit or loss and other comprehensive income

In thousands of AUD

For the year ended 30 June 2016

Depreciation and amortisation expense

Other expenses

Total income

Surplus

Total comprehensive income

Accounting Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of items of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Impact of change in accounting policy

	As previously reported	Adjustments	As restated
Total current assets	81,564	-	81,564
Investment property	20,878	(594)	20,284
Property, plant and equipment	82,624	(15,764)	66,860
Other assets	380,473	-	380,473
Total assets	565,539	(16,358)	549,181
Total current liabilities	60,191	-	60,191
Total non-current liabilities	30,678	-	30,678
Total liabilities	90,869	-	90,869
Accumulated surplus	89,119	4,108	93,227
Asset revaluation reserve	20,466	(20,466)	-
Other reserves	365,085	-	365,085
Total equity	474,670	(16,358)	458,312

Impact of change in accounting policy

	As previously reported	Adjustments	As restated
Depreciation and amortisation expense	(8,370)	(66)	(8,436)
Other expenses	(262,424)	-	(262,424)
Total income	318,068	-	318,068
Surplus	47,274	(66)	47,208
Total comprehensive income	50,016	(4,103)	45,913

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

Subsequent expenditure

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

7. Property, plant and equipment (continued)

Accounting Policy (continued)

Depreciation

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

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

The estimated useful lives are as follows:

- Buildings 40-50 years
- Leasehold Improvements 3-10 years
- Plant and equipment 3-5 years
- IT assets 3-5 years

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

Impairment

Non-financial assets

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

8. Intangible assets

Computer Software

In thousands of AUD

	2017	2016
Carrying amount as at 1 July	3,590	6,332
Acquisitions	154	(144)
Amortisation	(1,948)	(2,598)
Closing net book value as at 30 June	1,796	3,590
Assets cost	21,100	20,946
Accumulated amortisation	(19,304)	(17,356)

Accounting Policy

Software

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over the estimated useful lives being 1-5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

8. Intangible assets (continued)

Bed licence

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

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

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

9. Commitments

9.1 Capital commitments

Mission Australia Housing has contractual commitments with Housing NSW, as a condition of the transfer of properties under the NBESP scheme and with Housing

Tasmania, towards increasing the social and affordable housing stock in NSW and Tasmania.

9.2 Leases as lessor

The Group leases out its investment property (see Note 6).

In thousands of AUD

Less than one year	
Between one and five years	
More than five years	

	2017	2016
Less than one year	1,652	831
Between one and five years	62	74
More than five years	-	-
	1,714	905

During the year, \$18.6 million was recognised as rental income in profit and loss (2016: \$18.0 million).

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

9. Commitments (continued)

9.3 Housing commitments

As a Community Housing Provider, Mission Australia Housing has set aside investment and cash assets for scheduled repairs and maintenance of housing properties. Refer to Note 11 *Investments* and note 15 *Cash and Cash Equivalents* for details of assets set aside in the current financial year.

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

9.4 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

Less than one year
Between one and five years
More than five years

	2017	2016
Less than one year	14,521	14,675
Between one and five years	24,887	16,158
More than five years	11,845	2,534
	51,253	33,367

The Group leases a number of properties, motor vehicles and IT equipment under operating leases. The commitments greater than five years all relate to rental property leases. Other leases typically run for a period of three years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year ended 30 June 2017, the Group recognised \$17.9 million (2016: \$17.9 million) as an expense in the income statement in respect of operating leases.

Accounting Policy

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

10. Trade and other receivables

In thousands of AUD

Current

	2017	2016
Trade receivables	11,503	11,981
Other receivables	58	826
	11,561	12,807

Non Current

Subordinated notes in Goodstart Early Learning	3,366	3,431
Other non-current receivables	3,246	3,052
	6,612	6,483
	18,173	19,290

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 18.

Accounting Policy

Impairment

Non-derivative financial assets

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

Financial instruments

The Group classifies non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables.

Non-derivative financial assets – Recognition and derecognition

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a

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

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

Non-derivative financial assets – Measurement Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

11. Investments

In thousands of AUD

Current investments

Opening balance	17,121	17,012
Movement in fair value	1,474	109
Financial assets designated at fair value through profit or loss	18,595	17,121
Term deposits	30,000	10,000
Term deposits - sinking fund	4,000	-
Non Current investments	52,595	27,121
Term deposits	2,200	2,200

The financial assets designated at fair value through profit or losses are equity securities and term deposits managed by JB Were and Westpac. Fair value represents the market value of the financial assets at balance date. The Group's exposure to credit and equity price risks related to other investments is disclosed in Note 18.

Mission Australia Housing sets aside resources for the periodic repair and maintenance of housing properties in accordance with its long-term asset management plan. These resources are held as sinking fund assets in the form of investments above and cash (see note 15).

Accounting Policy

Non-derivative financial assets - Measurement

Financial assets at fair value through profit or loss

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Our financing and capital structure

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance and how the risks are managed.

12. Loans and borrowings

This note provides information about the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure

to interest rate risk and liquidity risk, see Note 18.

Terms and conditions of outstanding loans were as follows:

In thousands of AUD	Currency	Average interest rate	Year of maturity	30 June 2017		30 June 2016	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loans	AUD	3.4%	2018	22,930	22,930	21,050	21,050

The Company has an \$11.0 million (2016: \$11.0 million) revolving cash advance and overdraft facility with its bankers. As at 30 June 2017, this facility remained unutilised (2016: Nil).

The bank loans are secured over land and buildings and investment properties with a carrying amount of \$389.9 million (2016: \$373.2 million).

Accounting Policy

Financial instruments

Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedge item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

13. Provisions

In thousands of AUD

Current

Onerous lease provision
Make good provision
Restructuring provision

	2017	2016
Onerous lease provision	1,077	587
Make good provision	2,823	4,271
Restructuring provision	209	3,656
	4,109	8,514
Make good provision	3,947	3,042
	3,947	3,042

Non current

Make good provision

Accounting Policy

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

Onerous lease provision

The Group recognise an onerous lease provision in relation to under performing and loss making leasehold premises.

Make good provision

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

Restructuring provision

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

14. Capital and reserves

14.1 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

14.2 Accumulated surplus

Accumulated surplus comprises an aggregate of the retained earnings.

14.3 Restricted accumulated surplus

The Group has restricted accumulated surplus of \$389.5 million; (2016: \$367.2 million) in the current financial year. This consists of the following transactions/balances:

In thousands of AUD

Opening balance	367,242	329,449
Fair value of properties purchased from Better Housing Future	148	220
Surplus of housing entities recognised as restricted	22,119	37,573

	2017	2016
	367,242	329,449
	148	220
	22,119	37,573
	389,509	367,242

15. Cash and cash equivalents

In thousands of AUD

Bank balances	22,107	34,302
Bank balances - Sinking fund	634	3,903
Cash and cash equivalents in the statement of cash flows	22,741	38,205

Mission Australia Housing sets aside resources for the periodic repair and maintenance of housing properties in accordance with its long

term asset management plan. These resources are held as sinking fund assets in the form of cash above and investments (see note 11).

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

15. Cash and cash equivalents (continued)

15.1 Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	Note	2017	2016 Restated*
Cash flows from operating activities			
Surplus for the year*		50,219	47,208
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment*	7	3,467	3,981
Amortisation of intangible assets	8	1,948	2,598
Dividend received		(131)	(105)
Impairment of equity accounted investees	20	-	8,668
Share of loss of joint venture	20	977	1,321
Change in fair value of investment property	6	(20,822)	(34,831)
Unrealised gain on other investments		(1,478)	(156)
Loss on sale of property, plant and equipment		69	176
Bequest in kind		-	(4,664)
Bequest receivable		(129)	47
Capital grant	4	(148)	(220)
Loss on derivative financial instrument		120	-
Non-cash other expenses		(496)	(886)
Cash from operations before changes in working capital and provisions*		33,596	23,137
Change in trade and other receivables	10	1,246	4,036
Change in prepayments		332	765
Change in trade and other payables		(1,520)	(4,740)
Change in provisions	13	(4,405)	(2,832)
Lease incentive reclassification		864	-
Make good classification		1,507	-
Change in employee benefits		349	(949)
Change in deferred income	17	754	(4,596)
Cash generated from operations		32,723	14,821

* See note 7

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

16. Finance income and finance costs

In thousands of AUD

Recognised in profit or loss:

	2017	2016
Interest income on financial assets #	1,551	1,336
Dividend income	131	105
Fair value through profit or loss	1,736	66
Finance income	3,418	1,507
Interest expense on financial liabilities #	1,496	1,267
Finance expense	1,496	1,267
Net finance income recognised in surplus	1,922	240

Interest income and (expense) in respect of assets (liabilities) not classified as held at fair value through profit or loss.

Accounting Policy

Finance income and expense

The Group's finance income and finance costs include:

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

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

17. Deferred income

Deferred income for the Group of \$18.7 million; (2016: \$17.9 million) consists of government grants received in advance for services to be rendered by the Group.

The Group has been awarded numerous government grants. Deferred income is amortised over the period to which the advance relates.

Accounting Policy

Government grants

Unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

18. Financial risk management

18.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

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

18.2 Risk management framework

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group manages its financial, credit and market risk using various financial instruments, governed by a set of policies approved by the Board. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and

systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

18.3 Credit risk

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

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

i. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the characteristics of each customer. The Group's customers are primarily individual clients receiving services, residents occupying accommodation, Federal

and State Government, and financial institutions.

Losses have occurred infrequently. An impairment allowance is recognised when a receivable is not expected to be collectable. The Group does not require any collateral in respect of trade and other receivables.

The carrying amount and Group's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer is shown in the table. It does not include Fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

In thousands of AUD

Governments
Early learning customers
Other customers
Subordinated notes in Goodstart Early Learning

	2017	2016
Governments	9,982	7,784
Early learning customers	683	719
Other customers	4,142	7,356
Subordinated notes in Goodstart Early Learning	3,366	3,431
	18,173	19,290

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

18. Financial risk management (continued)

18.3 Credit risk (continued)

i. Trade and other receivables (continued)

Impairment losses

The ageing of the Group's current trade receivables is disclosed below. Impairment loss recorded against Group's current trade receivable in this financial year was nil (2016: Nil).

In thousands of AUD

Not past due
Past due 0-30 days
Past due 31-120 days

	Gross	Gross
	2017	2016
Not past due	9,800	11,392
Past due 0-30 days	1,035	1,067
Past due 31-120 days	726	348
	11,561	12,807

Trade and other receivables that are considered higher risk have been provided for. Based on the historical default rates and debtor analysis and Group's monitoring of customer credit risk, no impairment allowance is considered necessary in respect of trade receivables not past due.

Not past due or past due 0-30 days balances represent over 94 per cent of the total balance and the remaining balance relates to

customers that have a good credit history with the Group.

The credit quality of trade and other receivables is assessed based on a credit policy established by management. The Group has monitored customer credit risk, by grouping trade and other receivables based on their characteristics.

An analysis of the credit quality of trade and other receivables not impaired is as follows:

In thousands of AUD

Receivable from State and Federal governments (low risk)
Receivable from related parties (low risk)
Other customers:
- Four or more year trading history with the Group
- Less than four years of trading history with the Group

	Gross	Gross
	2017	2016
Receivable from State and Federal governments (low risk)	9,982	7,784
Receivable from related parties (low risk)	3,366	3,431
Other customers: - Four or more year trading history with the Group	2,848	2,471
- Less than four years of trading history with the Group	1,977	5,604
	18,173	19,290

ii. Investments

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

iii. Guarantees

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

18. Financial risk management (continued)

18.4 Liquidity risk

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

Typically, the Group ensures that it has sufficient cash or cash equivalents on demand and investments that can be liquidated at short notice to meet operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group

maintains \$52.0 million combined bank facilities that are secured by registered mortgages over certain freehold properties of the company. Interest would be payable on a daily basis at an average rate of 3.76 per cent.

Exposure to liquidity risk

The following table indicates:

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

2017 <i>In thousands of AUD</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months		
Non-derivative financial liabilities *							
Trade and other payables							
	24,367	24,367	23,945	-	422		
Loans and borrowings	22,930	25,690	388	388	24,914		
	47,297	50,057	24,333	388	25,336		
Derivative financial liabilities							
Interest rate swap used for hedging	982	982	-	-	982		
2016 <i>In thousands of AUD</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months		
Non-derivative financial liabilities *							
Trade and other payables							
	25,798	25,798	25,331	-	467		
Loans and borrowings	21,050	23,905	357	357	23,191		
	46,848	49,703	25,688	357	23,658		
Derivative financial liabilities							
Interest rate swap used for hedging	2,157	2,157	-	-	2,157		

* Deferred income and some accruals are not financial liabilities and are excluded in the analysis.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

18. Financial risk management (continued)

18.4 Liquidity risk (continued)

Exposure to liquidity risk (continued)

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

that are net cash-settled and gross cash inflow and outflow amount for derivatives that have simultaneous gross cash settlement.

As disclosed in Note 12, the Group has one secured bank loan which contains debt covenants. The breach of any covenant may require the Group to repay the loan earlier than indicated in the above table.

18.5 Market risk

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

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

i. Currency risk

The Group is not exposed to significant currency risk.

ii. Interest rate risk

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

Exposure to interest rate risk

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

In thousands of AUD

Fixed rate instruments

Financial assets	70,953	61,994
Effect of interest rate swaps	(26,027)	(19,767)
	44,926	42,227

Variable rate instruments

Financial liabilities	(22,930)	(21,050)
Effect of interest rate swaps	26,027	19,767
	3,097	(1,283)
	48,023	40,944

	2017	2016
	Carrying amount	Carrying amount
Financial assets	70,953	61,994
Effect of interest rate swaps	(26,027)	(19,767)
	44,926	42,227
Financial liabilities	(22,930)	(21,050)
Effect of interest rate swaps	26,027	19,767
	3,097	(1,283)
	48,023	40,944

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

18. Financial risk management (continued)

18.5 Market risk (continued)

Sensitivity analysis

Fixed rate instruments

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

Variable rate instruments

A change of 1 per cent in average bank loan interest rate would have increased / (decreased) equity and profit or loss by \$15,320 (2016: \$9,650).

iii. Other market price risk

Equity price risk arises from financial assets designated at fair value through profit or loss

held by the Group in the form of investments in listed equities. The portfolio of investments is managed by external portfolio managers, who buy and sell equities based on their analysis of returns. The asset position and returns are reported to the Directors on a regular basis at the Board Audit and Risk Committee meetings.

The other investments in wholesale funds of \$18.6 million (2016: \$17.1 million) are exposed to equity price risk. A 1 per cent change in equity prices at reporting date would have increased / decreased surplus and deficit and equity by approximately \$0.18 million (2016: \$0.17 million).

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

19. Determination of fair values

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

19.1 Investment property

Investment properties are held at fair value based on a determination of their highest and best use and follows the fair market hierarchy disclosed in Note 19.6. An external, independent company, having appropriate professional qualifications and experience in the location and category of property is appointed to undertake investment property

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

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

19. Determination of fair values (continued)

19.1 Investment property (continued)

Valuations consider, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

19.2 Investments in equity and debt securities

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

19.3 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

19.4 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

19.5 Fair values versus carrying amounts

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

In thousands of AUD	Note	2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	15	22,741	22,741	38,205	38,205
Trade and other receivables	10	18,173	18,173	19,290	19,290
Investments	11	54,795	54,795	29,321	29,321
Trade and other payables		(24,367)	(24,367)	(25,798)	(25,798)
Provision	13	(8,056)	(8,056)	(11,556)	(11,556)
Loans and borrowings	12	(22,930)	(22,930)	(21,050)	(21,050)
Interest rate swap used for hedging		(982)	(982)	(2,157)	(2,157)
		39,374	39,374	26,255	26,255

The carrying amounts of all assets and liabilities above are carried at amortised cost except for interest rate swaps and Investment

Securities that are recognised as financial assets designated at fair value through profit or loss.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

19. Determination of fair values (continued)

19.6 Fair value hierarchy

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

The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

<i>In thousands of AUD</i> 30-June-2017	Level 1	Level 2	Level 3	Total
Investments	54,795	-	-	54,795
Interest rate swap used for hedging	-	(982)	-	(982)
	54,795	(982)	-	53,813
<i>In thousands of AUD</i> 30-June-2016	Level 1	Level 2	Level 3	Total
Investments	29,321	-	-	29,321
Interest rate swap used for hedging	-	(2,157)	-	(2,157)
	29,321	(2,157)	-	27,164

Interest rate swaps used for hedging are valued based on mark to market valuation provided by

the financier. The valuation is further assessed for credit risk of both parties.

Accounting Policy

Measurement of fair values

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

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

Management regularly reviews significant unobservable inputs and valuation

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

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

19. Determination of fair values (continued)

Accounting Policy (continued)

Measurement of fair values (continued)

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

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

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

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

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

- Note 6 – *Investment property*
- Note 18 – *Financial risk management*

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Our group structure

This section explains significant aspects of the Mission Australia group structure including joint arrangements that the Group has an interest in. It also provides information on Mission Australia's related parties.

20. Equity accounted investments

In thousands of AUD

Working Links (Employment) Limited

	2017	2016
Opening balance	-	12,252
Impairment of equity accounted investment	-	(8,668)
Proceeds receivable on disposal of Working Links (Employment) Limited	-	(3,584)
Investment in Working Links (Employment) Limited	-	-

In thousands of AUD

Mission Providence Pty Ltd

	2017	2016
Share of equity	1,746	2,522
Share of loss for the year	(1,522)	(1,321)
Investment in Mission Providence Pty Ltd	224	1,201
Total equity accounted investment in associates and joint venture	224	1,201

Mission Providence Pty Ltd (Mission Providence) is a joint venture in which Mission Australia holds a 25% economic interest. On 10 August 2017, its shareholders agreed to the sale of Mission Providence to Konekt Limited, subject to the consent of the Department of Employment, for a purchase price of \$24.0 million. Completion occurred on 29 September

2017 and, after adjustments Mission Australia received \$6.8 million for its economic interest to record a gain on the sale of \$6.6 million.

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

In thousands of AUD

Ownership Assets Liabilities Revenues Profit / (loss)

as at June 2017

Mission Providence Pty Ltd	25.0%	19,033	18,136	52,180	(6,081)
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as at June 2016

Mission Providence Pty Ltd	25.0%	19,178	14,374	23,254	(5,855)
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Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

20. Equity accounted investments (continued)

Significant influence

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

Mission Australia has 40% voting rights and 25% economic interest in Mission Providence Pty Ltd. Mission Australia has joint control over Mission Providence, its operations and the future strategic direction it takes.

Such an arrangement falls within the scope of AASB 11 *Joint Arrangement* as it has the following characteristics:

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

Accounting treatment of share of profit / loss for the year

The Group's share of profit or loss from Mission Providence Pty Ltd is recognised as income or expense in *Consolidated Statement of Profit or Loss and Other Comprehensive Income* and as an asset in the *Consolidated Statement of Financial Position*. The asset recognised in the *Consolidated Statement of Financial Position* represents the Group's interest in Mission Providence.

Accounting Policy

Basis of consolidation

Investment in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control,

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

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

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

Impairment

Equity-accounted investees

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

21. Group entities

Controlled entities, Mission Australia Early Learning, Mission Australia Housing, Mission Australia Housing (Victoria), Sir David Martin Foundation, Mission Australia Services (Dormant), Mission Australia Foundation (Dormant), Mission Australia Capital Fund Pty Ltd (Dormant) and Mission Australia Future Foundation Unit Trust, City Mission Employees Retirement Fund Pty Ltd (Dormant), FutureLiving Community Housing Limited (Dormant), all are incorporated in Australia and 100% owned by Mission Australia.

Mission Australia Housing and Mission Australia Housing (Victoria) have restrictions on the distribution of dividends and capital to the Company.

Accounting Policy

Basis of consolidation

Controlled entities

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

necessary to align them with the policies adopted by the Group.

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

Transactions eliminated on consolidation

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

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

22. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Mission Australia.

<i>In thousands of AUD</i>	2017	2016	2015
Result of parent entity		Restated*	Restated*
Profit for the period*	29,027	12,565	3,864
Total comprehensive income for the period	29,027	12,565	3,864
Financial position of parent entity at year end			
Current assets	69,070	58,820	58,604
Non-current assets*	103,661	86,134	91,055
Total assets	172,731	144,954	149,659
Current liabilities	48,361	51,599	66,961
Non-current liabilities	10,626	8,637	10,545
Total liabilities	58,987	60,236	77,506
Net assets	113,744	84,718	72,153
Total equity of the parent entity comprising of:			
Retained earnings*	113,744	84,718	72,153
Total equity	113,744	84,718	72,153

* See note 7

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Our people

This section provides details of the Group's employee costs, including Key Management Personnel.

23. Personnel expenses

In thousands of AUD

Wages and salaries
Other associated personnel expenses
Contributions to defined contribution plans

	2017	2016
Wages and salaries	146,016	145,304
Other associated personnel expenses	9,602	10,789
Contributions to defined contribution plans	13,754	13,742
	169,372	169,835

Accounting Policy

Short-term benefits

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

Other long-term employee benefits

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

Termination benefits

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

Defined Contribution plan

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

24. Related parties

24.1 Key Management personnel compensation

The key management personnel compensation included in ‘personnel expenses’ (see Note 23) is as follows:

In AUD

<i>In AUD</i>	2017	2016
Short-term employee benefits	2,015,941	1,914,858
Other long-term benefits	28,464	14,144
Post-employment benefits	190,530	178,523
	2,234,935	2,107,525

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

24.2 Individual Directors' compensation disclosures

Mr E Crouch works as a consultant in Allens, which provides Mission Australia with legal advisory services on normal commercial terms. He is also a Director of Westpac Banking Corporation, which provides banking services to the Group on normal commercial terms.

Mr N S Barnett is a Director of Insync Surveys, which provides Mission Australia with

employee surveys on normal commercial terms. He is also a Chairman of Ansvär Insurance that provides insurance services to Mission Australia on normal commercial terms.

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

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

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Other disclosures

This section provides details of other disclosures relating to the Group to comply with accounting standards and other pronouncements.

25. Contingencies

The Directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of

economic benefits will be required or that the amount is not capable of reliable measurement.

26. Subsequent events

Mission Providence Pty Ltd (Mission Providence) is a joint venture in which Mission Australia holds a 25% economic interest. On 10 August 2017, its shareholders agreed to the sale of Mission Providence to Konekt Limited, subject to the consent of the Department of Employment, for a purchase price of \$24.0 million. Completion occurred on 29 September

2017 and, after adjustments Mission Australia received \$6.8 million for its economic interest to record a gain on the sale of \$6.6 million.

There have been no other events subsequent to the balance date which would have a material effect on the Group's financial statements at 30 June 2017.

27. Members' guarantee

Mission Australia is a company limited by guarantee. In the event of the Company being

wound up, each member is liable to contribute an amount not exceeding 10 cents.

28. Auditor's remuneration

In AUD

Audit and review services

Auditors of the Company

Audit and review of financial statements

	2017	2016
Audit and review of financial statements	<u>232,000</u>	<u>226,300</u>
	-	<u>35,494</u>

Other Services

Auditors of the Company

KPMG also provided audit services for approximately 231 (2016: 200) projects that require an audited acquittal statement by the funding bodies. The cost of the acquittal audit

services provided by KPMG in 2017 was \$209,000 (2016: \$194,000). These costs were acquitted to the individual projects.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

29. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

29.1 Income tax

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

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

29.2 Financial liabilities

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and liabilities are offset and the net amount presented in the *Statement of Financial Position* when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to

realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

29.3 New Standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards-Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2013-9 *Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments*, AASB 2014-1 *Amendments to Australian Standards (Part E : Financial Instruments)*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010)*.

Notes to the Consolidated Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

29. Significant accounting policies (continued)

29.4 New Standards and interpretations not yet adopted (continued)

- AASB 15 *Revenue from Contracts with Customers*, AASB 2014-15 Amendments to Australian Accounting Standards arising from AASB15, AASB 2015-8 Amendment to Australian Accounting Standards-Effective Date of AASB 15 and AASB 2016-3 Amendments to Australian Accounting Standards-Clarifications to AASB 15, AASB 1058 *Income of Not for Profit Entities*, AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-profit Entities and AASB 2016-8 Amendments to Australian Accounting

*Standards- Australian Implementation
Guidance for Not-for-Profit Entities.*

- AASB 16 *Leases* (effective 1 January 2019)
- AASB 2016-2 *Amendments to Australian Accounting Initiative: Amendments to AASB 107*

The Group is assessing the potential impact on its financial statements of these new and revised Standards and Interpretations.

The Group has operating lease commitments as disclosed in Note 9.4. The disclosed amounts indicate that the impact of AASB 16 *Leases* will result in a material gross up of the total assets and liabilities of the Group.

Directors' Declaration

Annual Financial Report 30 June 2017 | Mission Australia and its controlled entities

Directors' Declaration

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

- a) the consolidated financial statements and notes set out on pages 12 to 51 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) The Directors draw attention to Note 2 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney, 17 October 2017.



Kenneth Dean

President and Chairman



Jennifer Lambert

Chairman, Board Audit and Risk Committee

Chairman's Declaration

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

I, Kenneth Dean, President and Chairman of the Board of Mission Australia, declare that in my opinion:

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

Dated at Sydney, 17 October 2017.



Kenneth Dean

President and Chairman

Independent Auditor's Report

To the members of Mission Australia

Opinion

We have audited the **Financial Report**, of Mission Australia (the Company) and its controlled entities (the Group).

In our opinion, the accompanying **Financial Report** of the Group is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and *Australian Charities and Not-for-profits Commission Act 2013* (ACNC), and Section 24(2) of the *Charitable Fundraising (NSW) Act 1991* and Regulations and with Section 15(1) and 15(2) of the *WA Charitable Collections Act 1946 and Regulations 1947* (collectively the Acts and Regulations) including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Consolidated statement of financial position as at 30 June 2017.
- (ii) Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration of the Group.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the ACNC Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in the Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the ACNC.
- (ii) Preparing the Financial Report in accordance with Section 24(2) of the *Charitable Fundraising (NSW) Act 1991* and Regulations and with Section 15(1) and 15(2) of the *WA Charitable Collections Act 1946* and Regulations 1947, the Acts and Regulations.
- (iii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iv) Assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (ii) to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

In addition we have :

- (i) Obtained an understanding of the internal control structure for fundraising appeal activities.
- (ii) Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- (i) the Financial Report gives a true and fair view of the Group's financial result of fundraising appeal activities for the financial year ended 30 June 2017;
- (ii) the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2016 to 30 June 2017, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- (iii) money received as a result of fundraising appeal activities conducted during the period from 1 July 2016 to 30 June 2017 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- (iv) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

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

In our opinion, the Group has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 30 June 2017.



KPMG

Anthony Travers

Partner

Sydney

17 October 2017