



Australian Government
Aboriginal Hostels Limited

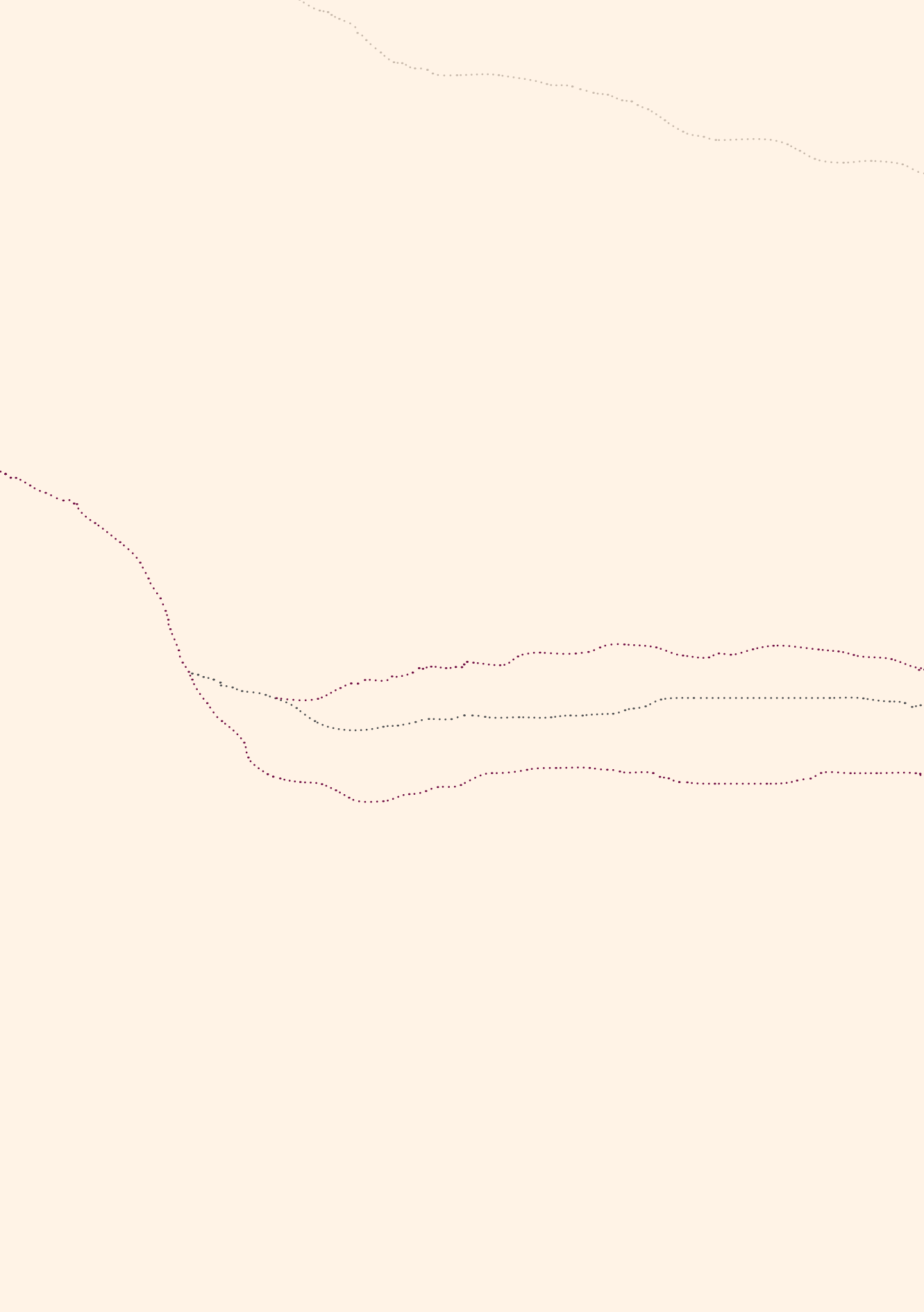


ABORIGINAL HOSTELS LIMITED

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Annual Report

2016-17





ABORIGINAL HOSTELS LIMITED

Annual Report

2016-17



Aboriginal Hostels Limited

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This document must be attributed as the Aboriginal Hostels Limited Annual Report 2016–17.

ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE ARE ADVISED THAT THIS PUBLICATION MAY CONTAIN REFERENCES TO PEOPLE WHO HAVE PASSED AWAY.

Letter of transmittal

22 September 2017

Senator the Hon Nigel Scullion
Minister for Indigenous Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

On behalf of the Board of Aboriginal Hostels Limited (AHL), I am pleased to submit our Annual Report for the financial year ended 30 June 2017.

This report was prepared in accordance with section 97 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Chapter 2M of the *Corporations Act 2001*. Under section 97 of the PGPA Act, AHL is required to provide you a copy of its Annual Report, which includes its Financial Report and Directors' Report and the Independent Auditor's Report.

This Annual Report and the audited Financial Statements were approved in accordance with a resolution of the AHL Board of Directors on 22 September 2017.

AHL delivers essential accommodation services to Aboriginal and Torres Strait Islander families, students and people pursuing life opportunities that are not accessible in their home communities. This report covers those activities for the 2016–17 financial year.

I commend this report to you as a record of AHL's achievements and compliance.

Yours sincerely



Dr Susan Gordon AM
Chairperson, Aboriginal Hostels Limited

Better Lives, Better Futures...

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Guide to the report

This Annual Report describes the management and performance of Aboriginal Hostels Limited (AHL) in the financial year from 1 July 2016 to 30 June 2017.

It fulfils the reporting requirements set out in legislation, including the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act 2013*, and performance measures set out in the Australian Government Portfolio Budget Statements.

The report is in four parts:

1. **Overview** delivers messages from the Chairperson and the Acting Chief Executive Officer, and describes AHL's purpose and service network.
2. **Performance** sets out AHL's performance and reporting framework and reports on AHL's performance against its Budget measures and strategic goals in 2016–17.
3. **Organisation** describes the structure, governance and people that determine AHL's strategic direction, accountability and operational outcomes.
4. **Financial report** presents the Directors' Report and Financial Statements for 2016–17.

AHL's current and previous annual reports are available from AHL's website, ahl.gov.au.

For more information, or to comment on this Annual Report, please contact AHL by email at marketing@ahl.gov.au or by telephone on 02 6212 2001.

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1 Overview

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Message from the Chairperson

AHL faced a number of challenges in 2016–17, which were met head on by the Board and Executive to ensure the company remains financially viable and true to its mandate to offer culturally safe, affordable accommodation to Aboriginal and Torres Strait Islander Australians.

In response to these challenges, the organisation has instituted a consolidation agenda to ensure that all available resources are directed toward maintaining high-quality frontline services. Beyond this, the Board has brought forward a new suite of strategic objectives to guide the company's activity from 2017–18.

Frontline services remained the highest of priorities through the year. A number of other directors and I, as Chairperson, personally visited all hostels (with the exception of Tennant Creek) to assess and report on their general amenity and level of customer service.

Essential in supporting this agenda is AHL's organisational culture, where there is still work to be done. The Board and I have made it a priority to foster a professional, outcomes-focused corporate culture that provides recognition and career pathways for staff who meet the high standards we set.

I am particularly proud of the new Child Protection Framework, which has now been implemented across AHL's secondary education hostels. The Framework includes policies, procedures and advice on dealing with issues of abuse and child protection. Based on recent recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse, the new Framework will put AHL at the leading edge of preventing and responding to all forms of abuse against children.

During the year the Board maintained regular contact with the Minister and his office to provide updates on our progress in reshaping AHL as an effective, efficient and committed contributor to the Government's priorities in Indigenous Affairs.

Two directors left the AHL Board in 2017, and two new directors joined the Board bringing expertise in human resources and Indigenous enterprise, as well as governance and community leadership.

The Board and I have set an ambitious agenda in the coming year to deliver on our core purpose—and on our commitment to put residents at the centre of all that we do.

Dr Susan Gordon AM
Chairperson

Message from the Acting Chief Executive Officer

As a result of unforeseen additional expenses, increasing operating costs and a fall in tariff revenue, AHL incurred a loss of \$3.1 million in 2016–17. This led to consolidation measures to reduce costs, ensure the safety of our residents, cut waste and direct resources to where they are most needed. It is unfortunate that previous failures to plan effectively also resulted in staff reductions in non-frontline areas of the business.

Prudent forward planning and restructuring across the business have placed the company on a stable financial footing as it heads into 2017–18.

During a period of restraint and transition, AHL nevertheless achieved a number of important goals and milestones in the reporting year. Staff overwhelmingly voted to accept a new enterprise agreement, resulting in a salary increase of 6 per cent, to flow early in the 2017–18 financial year. This was a major turnaround against a 95 per cent 'No' vote under the previous bargaining round. This is an important breakthrough for AHL staff, who are historically among the lowest paid in the Australian Public Service.

Significant gains were made during the year in lifting the company's approach to risk management, with a new enterprise risk management framework coming online during the reporting period.

Similarly, management of AHL's network of property assets has been made more effective through the work of a newly established Asset Management Committee reporting directly to the Board. This heightened approach to asset management, including through new business systems and a comprehensive strategic asset management plan in the coming year, will deliver on AHL's mandate to sustainably manage its ageing asset portfolio in decades to come.

With my tenure extended by Minister Scullion beyond 2016–17, I would like to thank the Chairperson and Board, my management team and AHL's staff around the country for their continued support and dedication to achieving our goals.

Mr Tony Usher

Acting Chief Executive Officer

About AHL

AHL is a not-for-profit company wholly owned by the Australian Government and positioned within the portfolio of the Prime Minister and Cabinet. AHL supports the Government's Indigenous Affairs priority of greater participation by Aboriginal and Torres Strait Islander people in education and work, and their access to mainstream services.

AHL's purpose

AHL is the only national provider of short-term accommodation specifically for Aboriginal and Torres Strait Islander Australians. AHL provides culturally safe, fit-for-purpose and affordable accommodation for Indigenous Australians who must live away from home in order to access medical and education services and employment opportunities.

AHL's service network

Across its network, AHL provides short-term accommodation and meals. Staff are committed to the cultural well-being of residents and recognise the value of having strong relationships with local Indigenous service providers and referral agencies. AHL continues to build and create partnerships that help to maximise the use of our facilities year round.

AHL's hostel network is segmented into three service categories:

Short-term (multipurpose) hostels

(24 facilities, 1,200 beds, 68 per cent of network capacity)

Short-term accommodation in towns and cities is offered to individuals and families waiting for housing, seeking employment or meeting general business and other commitments away from their homes and communities. Some residents in these hostels stay with AHL until they are able to access long-term accommodation.

Secondary and tertiary education hostels

(12 facilities, 260 beds, 17 per cent of network capacity)

Accommodation close to educational facilities is available for secondary and tertiary students, funded through ABSTUDY.

This affordable accommodation allows students to attend secondary school and achieve their education goals, including their Year 12 certificate. Students study in a safe, comfortable environment with access to study assistance, sporting facilities and organised outings.

Indigenous students undertaking higher education and training can access tertiary education accommodation.

Health and medical hostels

(11 facilities, 280 beds, 15 per cent of network capacity)

These hostels cater for Indigenous people who need to be away from home to access medical treatment, renal dialysis or antenatal and postnatal care. Financial assistance and help with transport through the Patient Assistance Travel Scheme is also available.

In 2016–17 AHL’s service delivery network comprised five regions, each with a regional office: Queensland (Cairns), South Eastern Australia (Sydney), Southern Central Australia (Alice Springs), Top End (Darwin) and Western Australia (Perth).

The Northern Territory is the jurisdiction with the greatest demand for AHL services, and is divided between two regions (Southern Central Australia and Top End) to balance levels of demand.

AHL’s network operates in locations of greatest need, which means that Aboriginal and Torres Strait Islander Australians in remote communities can access services in the areas of education, training, employment and health.

Figure 1: Service delivery network at 30 June 2017¹



AHL’s services are managed by its National Office and delivered by a network of accommodation facilities (listed below). National Office enables functions that support AHL’s operational business outcomes.

¹ The majority of AHL regional offices were closed or in the process of closure towards the end of the reporting period as part of major restructuring within the organisation.

CANBERRA

National Office

QUEENSLAND

Brisbane

Elley Bennett Hostel [TET](#)

Musgrave Park [TET](#)

Yumba Hostel [MP](#)

Cairns

Queensland Regional Office

Kuiyam Hostel [MP](#)

Mackay

Mackay Hostel [MP](#)

Mount Isa

Kabalulumana Hostel [MP](#)

Rockhampton

Neville Bonner Hostel [MP](#)

Thursday Island

Canon Boggo Pilot Hostel [SE](#)

Jumula Dubbins Hostel [MP](#)

Townsville

Iris Clay Hostel [MP](#)

Tonky Logan Hostel [R](#)

SOUTH EASTERN AUSTRALIA

Armidale

Ee-Kee-Na Hostel [TET](#)

Dubbo

Grey Street Hostel [SE](#)

Melbourne

William T Onus Hostel [MP](#)

Newcastle

Durungaling Hostel [TET](#)

Kirinari Hostel—Newcastle (boys only) [SE](#)

Sydney

South Eastern Australia Regional Office

Biala Hostel (girls only) [SE](#)

Kirinari Hostel—Sydney (boys only) [SE](#)

Tony Mundine Hostel [TET](#)

Tamworth

Tamworth Hostel [MP](#)

[A/P](#) Antenatal/Postnatal

[M](#) Medical

[MP](#) Multipurpose

[R](#) Renal

[SE](#) Secondary education

[TET](#) Tertiary education and training

SOUTHERN CENTRAL AUSTRALIA

Adelaide

Luprina Hostel [MP](#)

Mulgunya Hostel [M](#)

Nindee Hostel [MP](#)

Alice Springs

Southern Central Australia Regional Office

Akangkentye Hostel [MP](#)

Alyerre Hostel [M/R](#)

Apmere Mwerre Visitor Park [MP](#)

Ayiparinya Hostel [MP](#)

Sid Ross Hostel [M](#)

Topsy Smith Hostel [R](#)

Tennant Creek

Wangkana Kari Hostel [SE](#)

TOP END

Darwin

Top End Regional Office

Daisy Yarmirr Hostel [MP](#)

Galawu Hostel [MP](#)

Gudang Dalba Hostel [A/P](#)

Nagandji Nagandji-Ba Hostel [R](#)

Silas Roberts Hostel [MP](#)

Katherine

Corroboree Hostel [MP](#)

Fordimail Student Hostel [SE](#)

Katherine Women's Medical Hostel [A/P](#)

Kununurra

Kununurra Hostel [SE](#)

Nhulunbuy

Nhulunbuy Hostel [MP](#)

Wadeye

Kardu Darrikardu Numida Hostel [SE](#)

WESTERN AUSTRALIA

Broome

Broome Hostel [R](#)

Derby

Kabayji Booroo Hostel [MP](#)

Kalgoorlie

Trilby Cooper Hostel [MP](#)

Perth

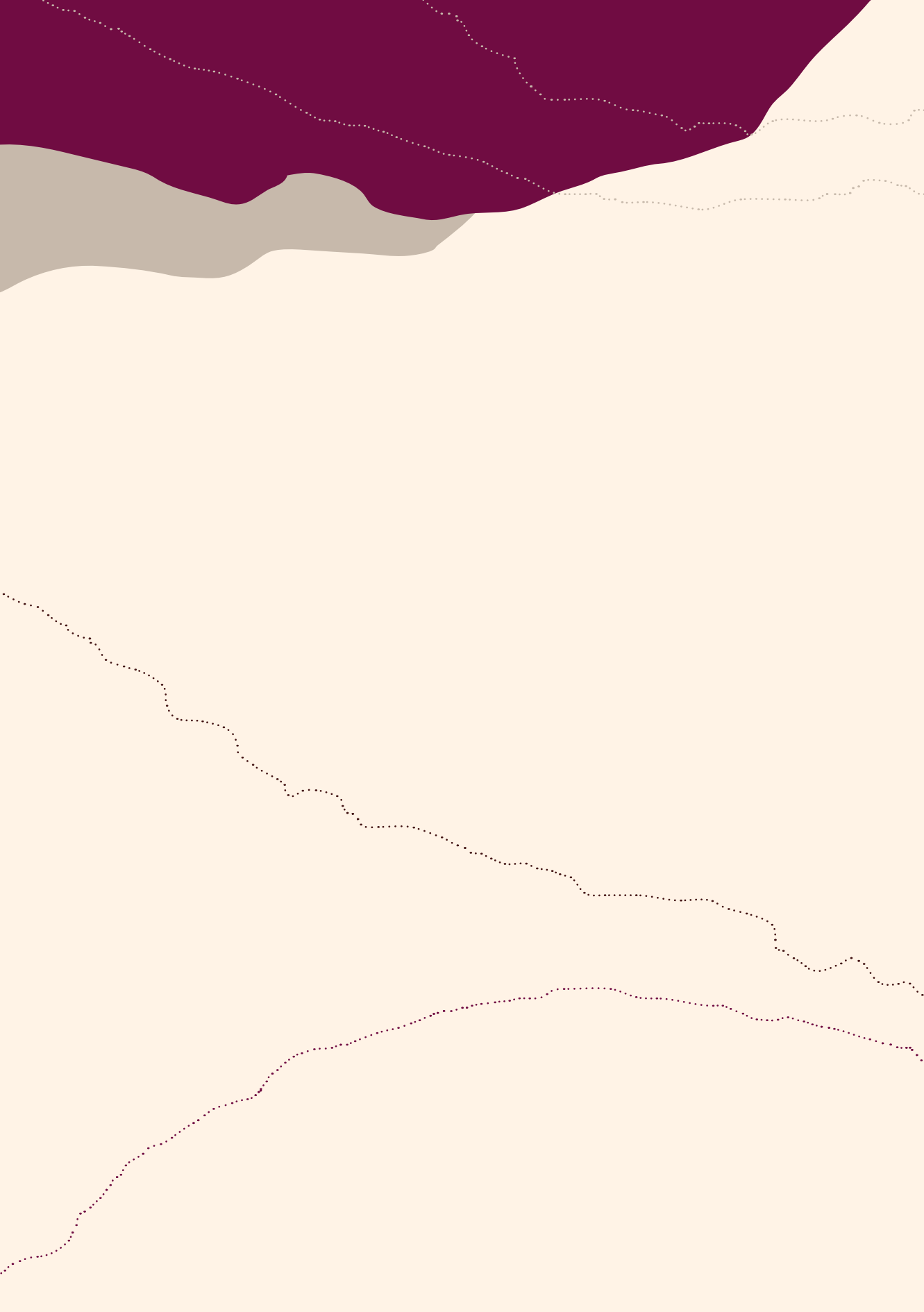
Western Australia Regional Office

Allawah Grove Hostel [MP](#)

Derbal Bidjar Hostel [M](#)

South Hedland

South Hedland Hostel [M/R](#)



2 Performance

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Planning and reporting framework

AHL’s strategic planning and performance reporting framework helps to ensure that AHL is efficient and effective in meeting its annual and longer term objectives. In 2016–17, the central element of that framework was the 2016–2020 Corporate Plan, as shown in Figure 2.

Figure 2: Elements of the planning and reporting approach in 2016–17



Outcome and program structure

AHL measures its success in achieving the Australian Government’s intended outcome against a quantitative target. The outcome and target are established in the Prime Minister and Cabinet Portfolio Budget Statements 2016–17, which also sets out AHL’s budgeted expenses for achieving its outcome.

In 2016–17, AHL contributed to the ongoing objectives of the Department of the Prime Minister and Cabinet through one outcome and one program, as Figure 3 shows.

Figure 3: Outcome and program framework in 2016–17

Department of the Prime Minister and Cabinet

Outcomes

1: Prime Minister and Cabinet—Provide high-quality policy advice and support to the Prime Minister, the Cabinet, Portfolio Ministers and Parliamentary Secretaries, including through the coordination of government activities, policy development and program delivery.

2: Indigenous—Improve results for Indigenous Australians, including in relation to school attendance, employment and community safety, through delivering services and programs, and through measures that recognise the special place that Indigenous people hold in this nation.



Aboriginal Hostels Limited

Outcome

1: Improved access to education, employment, health and other services for Aboriginal and Torres Strait Islander people travelling or relocating, through the operation of temporary hostel accommodation services.



Program

1.1 Company Operated Hostels

Objective: To provide temporary accommodation for Indigenous Australians who must live away from home to access services and economic opportunity.

Performance against Budget measures

Table 1 shows AHL's performance against the performance indicator set out in the 2016–17 Portfolio Budget Statements.

Table 1: Results against portfolio performance measures in 2016–17

Measure	Target	Actual
<i>Key performance indicator:</i> Occupancy level as a percentage of resident bed nights available	70%	68%

Overall bed occupancy was below AHL's target of 70 per cent. Bed nights occupied in 2016–17 declined slightly, by 75 beds (0.02 per cent)—from 423,256 in 2015–16 to 423,181 in 2016–17.

The national average rate of room occupancy fell by 2 per cent to 74 per cent (from 76 per cent in 2015–16).

AHL's accommodation services make an important contribution to achieving the Australian Government's outcomes for Aboriginal and Torres Strait Islander Australians by supporting their access to education, employment and health services, as illustrated in Table 2.

Table 2: Activities to overcome Aboriginal and Torres Strait Islander disadvantage in 2016–17

AHL activity in 2016–17	
Ensuring that children go to school	<p>By providing accommodation, AHL enabled Aboriginal and Torres Strait Islander secondary education students to attend school in urban, regional, remote and very remote areas.</p> <p>Ongoing communication and engagement with parents, family members and communities is a primary driver of student commitment to remain at school and in an AHL accommodation facility. AHL continued to engage with families and other stakeholders, including through partnerships with Clontarf Academy and Wunan Foundation, to encourage Indigenous students to attend school away from their home communities.</p> <p>Secondary education hostels aim to create a family-like atmosphere conducive to increasing student enrolments, attendance, retention and transition. AHL achieved this in 2016–17 by providing culturally safe and nurturing environments with fully equipped facilities, tailored support services, extracurricular activities and study assistance provided by house parents and youth workers.</p>
Increasing Aboriginal and Torres Strait Islander employment and economic and social participation	<p>AHL's short-term accommodation services:</p> <ul style="list-style-type: none">• help students to be engaged and enthusiastic participants at school, university or vocational education and training colleges, increasing their chances of educational success and greater opportunities later in life• offer job seekers a safe, stable and supportive environment to live in while they pursue employment opportunities that can improve their economic and social circumstances• provide people who are travelling, homeless or in unstable living arrangements with a safe and affordable place to stay in an environment that is culturally respectful, inclusive and supportive. <p>AHL is itself a leading national employer of Aboriginal and Torres Strait Islander Australians, directly improving employment and economic participation. Aboriginal and Torres Strait Islander Australians comprised 64 per cent of AHL's workforce in the reporting year.</p>
Making communities healthy and safe	<p>AHL continued to deliver safe, comfortable and culturally appropriate accommodation and help residents connect with a range of specialised health services.</p> <p>AHL used its referral networks to enhance residents' ability to access any services and support they might need. Residents can expect an environment free of overcrowding, family violence and substance misuse.</p>

Activities supporting strategic imperatives and goals

AHL's strategies to achieve its purpose are formulated around three broad imperatives:

- Relevance
- Efficiency
- Sustainability

AHL's Corporate Plan translates them into goals and actions, which are set out in the PBS Strategic Direction Statement for AHL.

The following sections report on AHL's performance in achieving those goals in 2016–17.

Relevance

Goal 1

Be an integral provider of, and primary adviser on, accommodation that supports the Australian Government's effort to overcome Aboriginal and Torres Strait Islander disadvantage

In 2016–17 AHL offered 627,064 bed nights of accommodation across its national service network (up from 623,179 in 2015–16), including 312,232 bed nights in remote and very remote communities.

Table 3 shows how the bed nights were distributed among service types, AHL regions, and localities.

Table 3: Distribution of bed nights available in 2016–17

Distribution category		Bed nights
Type of accommodation	Health	112,290
	Multipurpose	415,121
	Secondary education	68,560
	Tertiary education and training	31,093
Location by region	Queensland	157,236
	South Eastern Australia	57,206
	Southern Central Australia	166,954
	Top End	158,840
	Western Australia	86,828
Location by remoteness	Regional	191,847
	Remote or very remote	312,232
	Urban	122,985
Total in each category		627,064

To align its service offering with the Australian Government’s priorities and the needs of its residents, AHL collaborated with federal, state and territory government agencies and stakeholders through face-to-face meetings, forums and written submissions.

AHL made submissions to the:

- House of Representatives Standing Committee on Indigenous Affairs inquiry into *Educational opportunities for Aboriginal and Torres Strait Islander students*, appearing as a witness at hearings in Canberra and Wadeye
- WA State Coroner’s Inquest examining young Aboriginal deaths in the Kimberley region
- Royal Commission into the Protection and Detention of Children in the Northern Territory regarding protocols for engaging with stakeholders.

AHL also participated in a Commissioners’ forum held on Thursday Island as part of community consultations for the Royal Commission into Institutional Responses to Child Sexual Abuse.

Child Protection Framework

AHL gives fundamental importance to the safety, welfare and well-being of children and young people staying at its accommodation facilities.

As well as having a duty of care to take all necessary steps to prevent harm to children in residence, AHL and its employees have obligations under child protection and other relevant legislation.

Following a Board decision, AHL developed its first ever Child Protection Framework, which includes policies, procedures

and advice on dealing with abuse and child protection. Based on recent recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse, the new framework puts AHL at the leading edge of preventing and responding to the abuse of children, in all its forms.

With an initial focus on secondary education hostels, training based on the framework commenced in late June 2017 for all staff in AHL's nine secondary education hostels:

AHL child protection staff training program

June 2017	NSW	<ul style="list-style-type: none">• Biala Student Hostel (Sydney)• Kirinari Sydney Student Hostel• Kirinari Newcastle Student Hostel
July 2017	ACT	<ul style="list-style-type: none">• National Office staff and Executive
	WA	<ul style="list-style-type: none">• Kununurra Student Hostel
	NT	<ul style="list-style-type: none">• Tenant Creek—Wangkana Kari Student Hostel• Katherine—Fordimail Student Hostel
September 2017	QLD	<ul style="list-style-type: none">• Thursday Island—Canon Boggo Student Hostel
	NSW	<ul style="list-style-type: none">• Dubbo—Grey Street Student Hostel
October 2017	NT	<ul style="list-style-type: none">• Wadeye—Kardu Darrikardu Numida Student Hostel

The framework demonstrates the Board's commitment to the detection and prevention of child abuse in AHL facilities by ensuring that child safety is part of its overall risk management approach.

Governance mechanisms to capture and manage any child-related reporting have been strengthened to ensure AHL continues to meet its statutory obligations. AHL's Pre-Employment Policy was reviewed to ensure that National Criminal History Checks and Working with Children clearances align with the new framework.

The framework will ensure that the organisation provides an environment in which children and young people feel safe and are protected from any form of abuse, violence, injury, neglect or exploitation. A new community guide, 'Protecting children in our care', outlines AHL's commitment to child protection in more detail and is available for download at ahl.gov.au.

Goal 2

Operate in locations of greatest need, in the priority areas of education, training, employment and health

AHL continued to review occupancy rates and usage to ensure its services continue to meet the accommodation needs of Aboriginal and Torres Strait Islander people.

Refurbishments in a number of AHL's secondary education facilities in New South Wales and Queensland were completed, and the improved amenity of these sites is expected to attract and retain increased numbers of AHL's student residents attending high school.

During the reporting period, AHL further analysed the Bendelta report findings, which highlighted significant shifts in client needs. AHL undertook to address these in the coming year. AHL client data indicates that in many multipurpose hostels across Australia over half of all clients indicate 'housing/homelessness' and 'medical' as their primary reasons for stay, particularly in Queensland, New South Wales, Victoria and Southern Central Australia.

Many multipurpose facilities in the Northern Territory, Central Australia, Western Australia and some in Queensland are increasingly providing short-term accommodation for high proportions of people accessing health and medical services. AHL made it a strategic priority for 2017-18 to address this growth in demand for accommodation to meet medical and homelessness needs.

Efficiency

Goal 3

Increase utilisation, including through a consistent standard of accommodation service, by service type, across Australia

Across the categories of hostel, demand remained strongest in health, at 70 per cent. AHL continued to respond to a high level of demand in that category through prepaid bed agreements with state and territory government health departments.

Strategies that were implemented in 2015–16 to increase occupancy rates in multipurpose hostels resulted in a 3 per cent increase in occupied bed nights—that is, from 271,601 in 2015–16 to 278,812 in 2016–17. In 2017–18 AHL will focus on strengthening strategies to increase utilisation, including through strategic discussions with government agencies and locally at the service referral level.

Following an audit of AHL’s Customer Service Charter in the preceding period, a new Customer Service Charter was developed and promoted to both staff and residents to ensure continuous improvement in the level of service delivered to each customer.

The Customer Service Charter is referred to in induction training and its objectives are embedded in business planning. Compliance measures were put in place during the reporting period to ensure that the objectives

of the charter can be monitored and measured over time, that proactive management of staff occurs and that customer feedback is responded to within guaranteed timeframes. The AHL website includes a hotlink and telephone number for giving feedback.

The charter commits AHL to ‘consistently deliver a quality experience for every resident’ by offering:

- well-maintained facilities
- clean and comfortable beds
- nutritious meals
- service delivered with a smile by professional staff
- a home-like environment.

To complement the charter and build capability throughout the network, AHL partnered with best practice providers to develop training focused on lifting standards nationally. Training modules were delivered to staff between July 2016 and February 2017.

Supervisor training was delivered to all hostel managers between July 2016 and February 2017.

Acting on AHL’s commitment, as expressed by the Chairperson, Dr Susan Gordon, to offer ‘every resident, in every hostel, every night, a level of customer service that more than meets expectations of comfort and safety’, the Chairperson and members of the Board continued a program of site visits throughout the year to measure hostel performance.

Sustainability

Goal 4

Sustainably manage and maintain the property portfolio

AHL continued the important work of ensuring that its hostels are safe. The focus for Asset Management in 2016–17 was on addressing the outcomes of condition audits, particularly in regard to the backlog of priority maintenance and the modernising of ageing infrastructure across the portfolio.

The program of works planned in 2015–16 to ensure compliance with building codes (Australian and state or territory) at all facilities neared completion in 2016–17.

The main focus was on upgrading electrical infrastructure, replacing ageing air conditioning and plumbing infrastructure, and addressing asbestos risks. A detailed asbestos survey was conducted across the network and a new Asbestos Management Plan implemented as a result. All asbestos registers were updated and asbestos removal projects were completed to address high and medium priority contamination issues.

Works of a cosmetic and preventive nature were incorporated into the 2017–18 Capital Management Plan and for out years.

Detailed routine maintenance plans for all facilities were developed for implementation in 2017–18, while an enhanced strategic asset management framework is currently under development.

Apart from addressing the backlog of maintenance issues, AHL undertook major mid-life refurbishment at the secondary education facility at Kirinari Sylvania, as well as minor refurbishment projects at Yumba, Neville Bonner and Tony Mundine accommodation facilities.

The establishment of an Asset Management Committee in early 2017 has brought a dedicated focus to the effective management of AHL's property portfolio going forward.

Goal 5

Be agile to respond to challenges, trends and opportunities that support Australian Government priorities and ongoing business efficiency, and operate sustainably

In early 2017, AHL submitted a \$3.7 million loss application to the Minister for Finance through the Minister for Indigenous Affairs, which was subsequently approved. As a result, AHL brought forward a number of substantial savings measures and factored these into its 2017–18 budget under a comprehensive Consolidation Plan.

The five-point plan is intended to secure the company's financial position and bring forward actions to lift occupancy, amenity and utilisation in out years.

The Consolidation Plan addresses:

1. **Financial sustainability**— major savings measures
2. **Business efficiency**— significant further restructuring
3. **Improved service delivery**— renewed focus on hostel operations
4. **Improved asset management**— targeted investment, planning framework and asset management systems
5. **Development of a proactive Strategic Plan.**

The Consolidation Plan includes the largest suite of savings measures and structural realignment AHL has implemented at any one time. It forms the basis of a cascading suite of internal business plans, and its objectives are reflected in new Corporate and Strategic Plans due in 2017–18.

Goal 6

Pursue best practice in WH&S

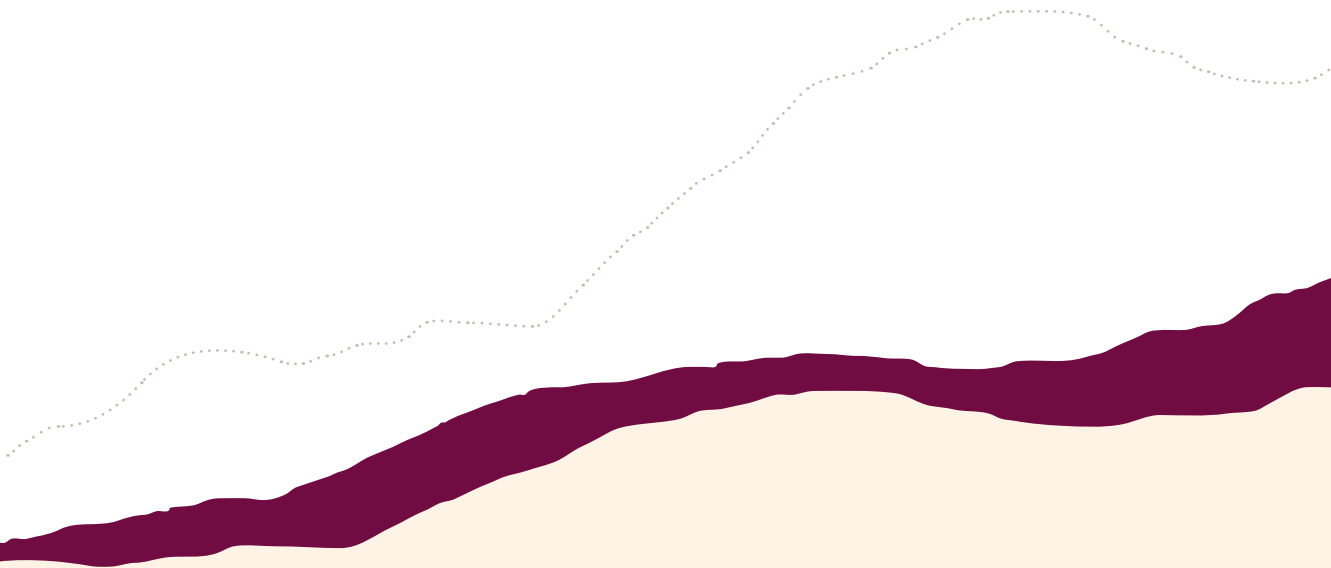
Through its Which Way, Safe Way work health and safety strategy, now in its fourth year, AHL continued to implement initiatives to enhance the safety of all hostel staff and residents. In 2016–17, AHL:

- finalised rollout of a non-hazardous chemical regime across all hostels in August 2016
- reviewed elements of the safety management system established in 2015–16 and identified elements for improvement in 2017–18
- improved plant management and introduced new servicing regimes into routine maintenance plans
- streamlined the supply of first aid material
- commenced a national sanitary and sharps management program through a new contracted service provider
- implemented an asbestos audit and removal program
- collaborated with Comcare to improve safety outcomes in the workplace.

Incidents in the workplace notified to Comcare under sections 35, 36 and 37 of the *Work Health and Safety Act 2011* show a lower incidence than in the previous two years. (See Table 4.)

Table 4: Work Health and Safety statistics, 2016–17

Notifiable incident classification	2014–15	2015–16	2016–17
Death	0	3	0
Serious injury/illness	4	4	5
Dangerous incident	7	2	3
Total	11	9	8



Financial summary

This section provides an overview of AHL's income and expenditure in 2016–17. The audited Financial Statements are provided in Part 4 of the Annual Report.

Income

In 2016–17, of AHL's \$57.1 million operating income, 68.7 per cent came from the Australian Government and 26 per cent was generated through tariffs collected from residents.

The remaining income comprised funding from state and territory governments to operate hostels on behalf of other agencies (4.4 per cent) and interest earned from investments in term deposits (0.9 per cent).

Table 5 shows where AHL's income came from in 2016–17. Table 6 includes information from the previous three reporting periods for comparison.

Table 5: Sources of operating income in 2016–17

Source	\$m	%
Australian Government funding ^a	39.2	68.7
State and territory government funding ^b	2.5	4.4
Hostel accommodation revenue	14.9	26.0
Interest and rent received	0.5	0.9
Total operating income	57.1	100

a AHL operational grant received from portfolio department (Department of the Prime Minister and Cabinet).

b Funding received to operate hostels on behalf of other agencies.

Table 6: Sources of income, 2013–14 to 2016–17 (\$m)

Source	2013–14	2014–15	2015–16	2016–17
Australian Government—appropriation	38.4	38.1	37.6	37.1
Australian Government—other funding agreements	0.4	2.2	2.4	2.1
State and territory governments	2.1	2.2	2.3	2.5
Hostel accommodation revenue	13.6	13.8	16.0	14.9
Gain on sale of property, plant and equipment	0.4	0.4	1.8	0
Interest and rent received	0.4	0.4	0.5	0.5
Reversal of previous asset write-downs and impairments	0	0.1	0.1	0

AHL's self-generated income decreased over the past year as a result of a reduction in occupancy.

Expenditure

AHL's total operating expenditure for 2016–17 was \$57.1 million.

AHL's capital expenditure for 2016–17 was \$2.3 million. Capital expenditures are funded from internal income sources.

Tables 7 and 8 show where AHL's income was spent in 2016–17.

The tables show expenditure directly relating to the operation of hostels.

They do not show the indirect support from the national and regional offices.

Table 7: Operating expenditure by region in 2016–17

Region	\$m	%
Queensland	10.7	23.4
South Eastern Australia	6.6	14.4
Southern Central Australia	11.5	25.2
Top End	11.2	24.5
Western Australia	5.7	12.5
Total	45.7	100

Note: Excludes National Office administration costs, including IT upgrades, and regional office expenditure.

Table 8: Capital expenditure by region in 2016–17

Region	\$m	%
Queensland	1.0	44.1
South Eastern Australia	0.3	13.4
Southern Central Australia	0.3	13.1
Top End	0.4	16.1
Western Australia	0.3	13.3
Total	2.2	100

Note: Excludes National Office expenditure, including IT upgrades.

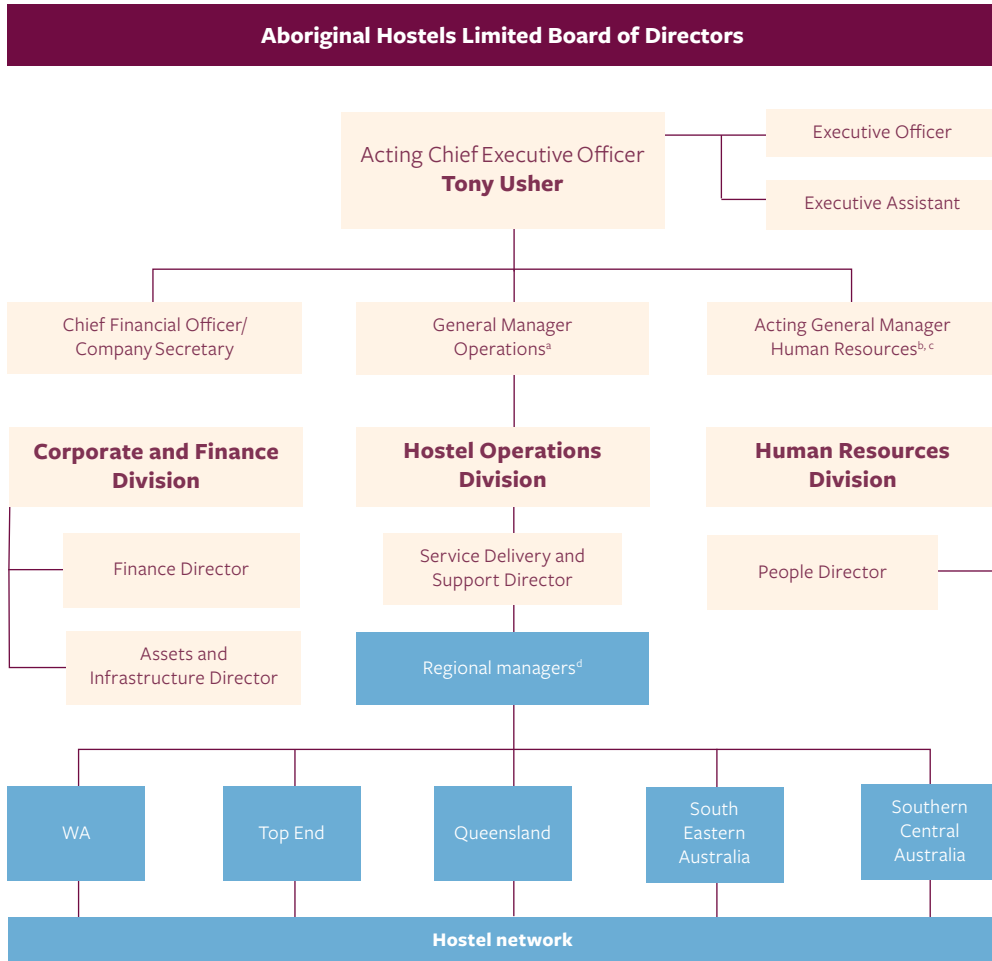
3 Organisation

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Structure

Figure 4 shows the structure most representative of the organisation in 2016–17.

Figure 4: Organisational structure in 2016–17



- a The General Manager Operations position was filled in April 2017.
- b As part of restructuring National Office from April to June 2017, functions of the Human Resources Division were transferred to the Corporate Services and Hostel Operations Divisions.
- c The General Manager Human Resources position was vacated in April 2017.
- d The Regional Offices and the Regional Manager roles were scaled down towards the end of the reporting period as part of network restructuring, with some functions relocated to National Office.

Board

The Board of Directors is responsible for the overall corporate governance and successful operation of AHL and is accountable to the Minister.

In carrying out its governance role, the Board ensures that AHL complies with its contractual, statutory and other legal obligations. The powers and duties of the Board are specified in AHL's Constitution and in legislation.

Key accountabilities and matters reserved for the Board include:

- setting and reviewing objectives, goals and strategic direction, and assessing performance against those benchmarks
- ensuring that AHL is financially sound and has appropriate financial reporting practices
- ensuring that a process is in place to maintain the integrity of internal controls, risk management, delegations of authority, and financial and management information systems
- appointing, supporting and evaluating the CEO
- ensuring high business standards and ethical conduct and fostering a culture of compliance and accountability

- reporting to the Minister on the Board's stewardship of AHL and monitoring its achievement against the Corporate Plan
- providing the Compliance Report to the Finance Minister, through the Secretary of the Department of Finance, and to the Minister for Indigenous Affairs
- ensuring that AHL submits an annual report that is compliant with the *Public Governance, Performance and Accountability Act 2013*.

The Chairperson is responsible for ensuring that the Board receives accurate, timely and clear information to enable the directors to analyse and constructively critique the performance of AHL and its management. The Chairperson is responsible for representing the Board to the Minister.

The Company Secretary is an ancillary role of the Chief Financial Officer, appointed by the CEO. The Company Secretary is responsible for developing and maintaining information systems that enable the Board to fulfil its role. The Company Secretary is also responsible for ensuring compliance with Board procedures and provides advice to the Board, through the Chairperson, on governance matters.

Executive

The Executive Management Team implements the Board's strategic direction and oversees governance in AHL's daily operations.

During 2016–17, the Executive Management Team comprised the CEO, the Chief Financial Officer/Company Secretary, the General Manager Human Resources and the General Manager Operations.

Governance

AHL is accountable to the Australian community, through the Parliament, for the effective delivery of its accommodation services and administration. AHL's governance framework is built on principles of accountability, leadership, executive instruction, quality control and duty of care for residents.

Legal framework

AHL is a wholly owned Australian Government company within the portfolio of the Prime Minister and Cabinet. The minister responsible for AHL at 30 June 2017 was Senator the Hon Nigel Scullion, Minister for Indigenous Affairs.

The Minister did not issue any directions to AHL, and AHL was not subject to any general government policy orders in 2016–17.

AHL complies with all relevant legislation, such as the:

- *Aboriginal and Torres Strait Islander Act 2005*
- *Archives Act 1983*
- *Auditor-General Act 1997*
- *Commonwealth Electoral Act 1918*
- *Corporations Act 2001*
- *Environment Protection and Biodiversity Conservation Act 1999*
- *Fair Work Act 2009*
- *Freedom of Information Act 1982*
- *Privacy Act 1988*
- *Public Governance, Performance and Accountability Act 2013*
- *Public Interest Disclosure Act 2013*
- *Public Service Act 1999*
- *Remuneration Tribunal Act 1973*
- *Safety, Rehabilitation and Compensation Act 1988*
- *Work Health and Safety Act 2011.*

Business structure

AHL is a wholly owned Commonwealth company, limited by guarantee. It does not have any subsidiaries and is not a government business enterprise.

The Australian Government, through the Minister, is the sole member of the company.

AHL is incorporated under the *Corporations Act 2001*.

Internal control framework

The AHL Board is responsible for determining AHL's overall internal control framework and for reviewing its effectiveness—recognising that no cost-effective internal control system will prevent all errors and irregularities.

AHL's internal control processes are intended to provide reasonable assurance on:

- the effectiveness and efficiency of operations and programs
- the reliability of financial reporting
- compliance with applicable laws and regulations.

Risk management

During the year AHL substantially enhanced its approach to risk management through the adoption of a consolidated enterprise risk management (ERM) framework.

ERM is now a structured, consistent and continuous process used across AHL at the strategic and operational levels, and is applied to individual project areas to identify, assess, respond to and report on opportunities and threats that affect the achievement of AHL's business objectives.

Risk tolerances are set at an appropriate level for the company with reference to the company's Risk Management Plan. Within this framework, AHL's Risk Appetite Statement establishes the degree of risk exposure that the company is willing to accept in pursuit of its goals.

The following areas of risk are the focus of AHL's risk management:

- Strategic risks
- Operational risks
- Functional risks
- Major projects and major contracts.

AHL's current overall risk appetite is 'cautious'.

Mechanisms were implemented during 2016–17 to establish regular review cycles, as follows:

- annual review of AHL's risk management framework as part of the continual improvement process set out in AS/NZS ISO 31000

- quarterly review of AHL's Enterprise Risk Register by the Audit, Risk and Finance Committee, presented to quarterly Board meetings
- annual full assessment of risks, controls and strategies by the Audit, Risk and Finance Committee, presented to the Board
- regular Board appraisal of mitigation strategies for significant risk and assurances made to Board that risk management plans are in place for each key risk, and satisfactory mitigation is undertaken for operational risks and functional risks.

External scrutiny

No reports on AHL were made by the Auditor-General, parliamentary committees, the Commonwealth Ombudsman, the Office of the Australian Information Commissioner, or the Australian Securities and Investments Commission during 2016–17.

No judicial decisions of administrative tribunals were made during 2016–17 that significantly affected, or may significantly affect, the operations of AHL.

The Commonwealth Auditor-General (through the Australian National Audit Office) audits the records and financial statements of AHL in accordance with the *Public Governance, Performance and Accountability Act 2013*.

Ethical standards

Each AHL director agrees to abide by the code of conduct in the Board's Governance Charter on:

- commitment and knowledge
- conduct in Board meetings
- confidentiality and collegiality
- relationship with management.

AHL employees are bound by standards of ethical behaviour communicated by the Employment Principles and Code of Conduct in the Australian Public Service Values. AHL promotes fraud awareness and ethical behaviour to all employees.

Ecologically sustainable development

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires Commonwealth agencies to report against the core criteria:

- how agencies accord with and contribute to ecologically sustainable development
- the impact of agencies' activities on the natural environment, how that impact is mitigated and how it will be further mitigated.

Table 9 details AHL's response to the criteria in 2016–17.

Table 9: Ecologically sustainable development (ESD) activities in 2016–17

Reporting requirement	AHL response
How AHL accords with and contributes to the principles of ecologically sustainable development	AHL is focusing on the identification of better practice in the sustainable management of energy, water and waste.
Activities that affect the environment	AHL’s core function—accommodation—consumes energy, water and materials such as packaging, which contributes to landfill, pollution and greenhouse gas emissions. Energy is required to power AHL’s offices and hostels, and provide hot water, heat for cooking and air conditioning in some of our hottest regions.
Measures taken to minimise the effect of activities on the environment	<p>AHL applied environmental principles in procurement, particularly through its routine asset replacement program.</p> <p>AHL collected data on its water and energy use, and assessed the environmental performance of its activities.</p> <p>AHL has solar panels installed at more than half of its hostels.</p> <p>AHL encouraged staff to adopt sustainable waste management practices and educated residents in minimising energy use and following recycling practices.</p> <p>AHL improved the energy efficiency of its new offices, hostels and major refurbishment projects by replacing electrical equipment such as lighting systems with more energy-efficient solutions.</p>
Mechanisms for reviewing and increasing the effectiveness of measures to minimise the environmental impact of activities	<p>As part of its Property Management System, for implementation in 2017–18, AHL is developing new abilities to capture and analyse data that will improve the monitoring of energy, water and gas utilisation. This will also allow cross-referencing between data captured before and after the replacement of existing assets with energy-efficient installations.</p> <p>In 2016–17 AHL carried out a program of targeted upgrades to lighting, air conditioning, heating and ventilation installations. The program was part of an asset replacement cycle implemented by AHL to improve energy efficiency across its service network.</p> <p>AHL also addressed the backlog of maintenance on solar installations to maximise solar energy production and reduce its overall carbon foot print.</p>

People

AHL staff are integral to delivering safe, comfortable and culturally appropriate accommodation services to Aboriginal and Torres Strait Islander Australians. AHL strongly supports workplace diversity, recognising the value of the diverse knowledge, skills, backgrounds and perspectives that people bring to their work.

Staff profile

AHL had 264 full-time and 211 part-time staff (a total of 475) at 30 June 2017. As Table 10 shows, the staffing profile included strong representation of Aboriginal and Torres Strait Islander people (64 per cent) and women (61 per cent).

Table 10: Staff numbers at 30 June 2017

Level	Female	Male	Full-time	Part-time	Ongoing	Non-ongoing	Indigenous ^a	Non-Indigenous	Total
Agency Head	0	1	1	0	1	0	0	1	1
SES 1	1	0	1	0	1	0	0	1	1
EL2	1	4	5	0	2	3	0	5	5
EL1	10	7	17	0	12	5	4	13	17
APS 6	13	13	25	1	17	9	5	21	26
APS 5	15	2	15	2	14	3	8	9	17
APS4	14	10	23	1	13	11	10	14	24
APS 3	46	33	72	7	60	19	60	19	79
APS 2	12	8	15	5	16	4	14	6	20
APS 1	179	106	90	195	79	206	204	81	285
Total	291	184	264	211	215	260	305	170	475
	(61%) ^b	(39%)	(56%)	(44%)	(45%)	(55%)	(64%)	(36%)	(100%)

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

a Refers to Aboriginal and Torres Strait Islander Australians.

b Percentage of total staff (100% = 475).

Recruitment and retention

AHL completed 417 new recruitment activities in 2016–17, including the engagement of 252 Aboriginal and Torres Strait Islander employees. Of the 417 engagements, 57 were ongoing, 164 non-ongoing and 196 casual.

Local recruitment activities were transitioned from regional offices to National Office, enabling it to more directly support the recruitment of hostel staff.

Management of all pre-employment checks was reviewed and centralised in National Office. Working with Children checks were also centralised to ensure the continuing compliance of AHL with state and territory legislation.

Learning and development

In the reporting year various staff in AHL's network received training in:

- child protection
- food safety
- supervisor training and APS best practice integrity training.

Performance management

The performance management cycle in AHL commences each year on 1 August and concludes on 31 July with an annual review. In 2016–17 more than 97 per cent of AHL staff participated in the performance management process and completed their annual review.

Work health and safety

AHL staff made 12 compensation claims in 2016–17, an increase of five on 2015–16. The majority of new claims were lower cost physical injury claims.

Table 4 (refer page 21) provides a summary of notifiable incidents, investigations and notices that occurred during the year, as required by the *Work Health and Safety Act 2011*.

In memoriam—Mr Taber Wilder

Taber Wilder, a respected staff member in Queensland, died in late 2016.

Speaking at his funeral in December, AHL's Acting CEO, Tony Usher, announced the introduction of an in-house trainee program named in Taber's honour.

The program was established in recognition of Mr Wilder's commitment to fostering young Indigenous people's access to personal development and career opportunities.

The six-month program at National Office selects Year 12 graduates who have stayed at an AHL education facility.

In February 2017, Ms Demi Edwards was selected as the inaugural trainee to participate in a six-month placement in the program. Demi was a student at Biala Hostel in Sydney, and participated during 2016–17 in a series of structured placements across National Office. Demi's application to her work and contribution within the organisation were commendable.



Mr Liam Jhai Wilder accepts a Certificate of Achievement and Australia Day Award on behalf of his father. The certificate and medallion were presented by Mr Tony Usher (right) on 16 February 2017 at National Office. Ms Demi Edwards, the inaugural Taber Wilder Trainee Program trainee, participated in the ceremony, with her mother, Ms Tannia Edwards (left).

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Directors' Report

The Board of Directors presents its report on Aboriginal Hostels Limited for the financial year ended 30 June 2017.

Corporate information

AHL is a company wholly owned by the Australian Government and is limited by guarantee. The registered office of the company is located at 2-6 Shea Street, Phillip, ACT 2606.

AHL is recognised as a public benevolent institution by the Australian Taxation Office and has deductible gift recipient status.

Principal activities

The principal activity of the company during 2016-17 was the operation of hostels for Aboriginal and Torres Strait Islander Australians.

The objective of the company is to provide safe, comfortable, culturally appropriate and affordable accommodation for Aboriginal and Torres Strait Islander Australians who must live away from home to access services and economic opportunity.

To help achieve the aims of the company, the Australian Government provides funding for the construction, operating costs, repairs and maintenance of hostels. AHL also enters into contracts with the Australian Government and state and territory governments to operate their hostels on a fee-for-service basis.

Operating results

The operating result in 2016-17 was a loss of \$3.109 million (the result in 2015-16 was an operating surplus of \$3.869 million).

Financial position

The net assets of the company as at 30 June 2017 were \$147.103 million. This is a decrease from 2015-16 of \$3.109 million. The decrease was a result of the additional expenditure on necessary repairs and maintenance items across the hostel portfolio that was identified during the year. AHL reduced expenditure on discretionary items as far as possible to offset some of the expenditure.

Significant activities or changes in state of affairs

Due to unforeseen property repair and maintenance liabilities and significant rises in fixed costs during the period, AHL lodged a loss application to the Minister for Finance in early 2017. The loss application was approved by the Minister in May 2017 on the understanding that no further loss was to be incurred in the following financial year.

On that basis, a consolidation plan was implemented in June 2017 to significantly reduce costs, restructure the company's affairs and secure its operating position going forward.

In doing so, the Board and Executive directed all available resources to frontline services—with substantial savings made to backend and administrative functions in regional offices and National Office.

Significant events subsequent to reporting period

Mr Tony Usher's term as acting CEO was extended to October 2017, during which time the Board will continue to work towards appointing a CEO for a five-year term.

On 29 June 2017 the Board commenced a strategic planning process, which led to the lodgement with Government of a new Corporate Plan and Strategic Plan. Both plans outline a priority focus on core accommodation provision, financial restraint in line with the above-mentioned consolidation plan, and further discussions with Government to amend AHL's core mandate elements.

Copies of the above plans can be downloaded from ahl.gov.au.

As part of moves to rationalise the company's operations, the Board realised further savings by streamlining its committee structure. This led to the amalgamation of the Finance Committee into the Audit and Risk Management Committee to form the Audit, Risk and Finance Committee. Maintaining the same oversight and compliance responsibilities as the two former standalone committees, the new committee met for the first time in August 2017.

Board of Directors

At 30 June 2017, the AHL Board had eight members. During 2016–17, the terms of two directors expired; one of those directors was reappointed for a further 12 months, and one left the Board in February 2017. In addition, one director resigned from the Board in February 2017, and two new director appointments were made by the Minister in May 2017.

An annual board performance survey was undertaken, which was considered by directors at the Board's late June strategic planning meeting. A skills register was put in place to facilitate access to a range of development programs in the coming year. In 2017–18 the Chairperson will undertake further performance reviews and skills audits with Directors to maximise the governance capacity of the Board.

The names and details of the directors and the Company Secretary in 2016–17 are as follows:

**Dr Susan
Gordon AM**

**Non-executive
Chairperson**

Appointed
11 September 2015

Qualifications

Bachelor of Laws

Experience

Sue is a Ngoonooru Wadjari woman from the Yamatji people. A retired magistrate who served for 20 years on the bench of the Children's Court of Western Australia, Dr Gordon has had a long and distinguished career, with extensive senior leadership experience.

Dr Gordon has worked in the area of Indigenous employment, was a member of the first board of the Aboriginal and Torres Strait Islander Commission, chaired the National Indigenous Council, and led the Gordon Inquiry and the Northern Territory Emergency Response Taskforce.

Dr Gordon is President of the Graham (Polly) Farmer Foundation and the Federation of Police and Community Youth Centres of Western Australia Board, and she sits on other boards around Australia. Her special long-term project is Sister Kate's Aged Persons Project.

In 1993 Dr Gordon was made a Member of the Order of Australia in recognition of her commitment to Aboriginal people and community affairs.

Other major awards she has received include:

- the Centenary Medal for service to the community, and particularly the Aboriginal community, in 2001
- an Honorary Doctor of Letters degree from the University of Western Australia, in 2003
- Senior Woman Lawyer of the Year, awarded by Women Lawyers of Western Australia, in 2004
- Defence Service Medal.

Mr Mike Allen
PSM
Non-executive
Director

Appointed
2 March 2016

Qualifications

Graduate Diploma in Urban Estate Management; Member, Australian Institute of Company Directors; Fellow, Institute of Public Administration Australia; Life Member, Australasian Housing Institute

Experience

The former CEO of Housing NSW, Mr Allen has over 30 years' experience in social housing management and asset services, homelessness, and community and Aboriginal housing.

Mr Allen was instrumental in leading a number of major housing reforms, including the development of the National Regulatory System for Community Housing.

He was awarded the Public Service Medal in 2011 in recognition of his outstanding and meritorious services to the community and his strong commitment to the values and principles of social housing.

Emeritus
Professor
MaryAnn
Bin-Sallik AO
Non-executive
Director

Appointed
2 March 2016

Qualifications

Doctor of Education (Harvard)

Experience

Professor Bin-Sallik, a member of the Djaru Nation, is recognised internationally as a pioneer of Indigenous higher education in Australia.

She has invested the past 40 years in advancing Indigenous Australia through her participation in major government reform committees and academic appointments in Australia and overseas.

In 2016, Professor Bin-Sallik was named NAIDOC Female Elder of the Year, and in 2017 she became an Officer of the Order of Australia in recognition of her distinguished service to tertiary education as an academic, author and administrator, particularly in the area of Indigenous studies and culture, and as a role model and mentor.

Ms Denise
Bowden
Non-executive
Director

Appointed
2 March 2016

Experience

Ms Bowden has extensive knowledge and experience of Aboriginal and Torres Strait Islander affairs, particularly relating to the delivery of services for the Yolngu clans of Northeast Arnhem Land in the Northern Territory. She is Chief Executive Officer of the Yothu Yindi Foundation and Director of the Garma Festival.

Ms Bowden's background is in the reform of Indigenous education in the remote north. She has at her disposal a large support network from across Australia, and her Indigenous cultural and arts knowledge is rich and diverse.

Mr David Evans **Qualifications**
Non-executive Director, Deputy Chair
 Appointed 24 June 2013

Master of Business Administration; Bachelor of Commerce; International Company Directors Course; Fellow, CPA Australia; Fellow, Financial Services Institute of Australasia; Fellow, Australian Institute of Company Directors

Experience
 With over 30 years' experience in banking and finance in Australia and the Asia-Pacific, Mr Evans is a consultant and facilitator for the Australian Institute of Company Directors.

Mr Evans has been active in governance roles in the not-for-profit sector. He is an independent director of Ngarluma Yindjibarndi Foundation and an independent member of the Queensland Police Service Audit and Risk Committee.

His other roles have included appointments to an Indigenous trust in the Pilbara and the Murdoch University Veterinary Trust.

Jennifer Ullungura Clancy **Experience**
Non-executive Director
 Appointed 10 May 2017

Ms Clancy is a senior Mantiyupwi women from the Wurrumiyanga Bathurst Island and is the Registrar of the Tiwi Land Council. She has a strong understanding of AHL's core issue of transitioning students from remote communities to boarding facilities. Ms Clancy is a board member of several Tiwi Island corporations.

Karen Sheldon AM **Experience**
Non-executive Director
 Appointed 10 May 2017

As Managing Director, Karen Sheldon Group, Ms Sheldon is a renowned and highly respected entrepreneur in Darwin. She is a member of the Order of Australia and winner of the Telstra Northern Territory Entrepreneur Award 2016 for businesswomen. Ms Sheldon's award-winning catering company and her establishment of the Northern Territory's first Vocational Training and Employment Centre both focus on a shared vision to Close the Gap in Indigenous employment disadvantage, and assist job seekers in transitioning from welfare to a life of purpose and sustainable employment.

Ms Michelle Deavin **Chief Finance Officer and Company Secretary**
 Appointed Company Secretary and CFO in August 2016, Ms Deavin is a CPA with extensive experience in private sector and government agencies in the areas of finance, audit and risk.

Retirements and resignations

Ms Rachelle Towart Appointed 2 March 2016—resigned from the Board February 2017.
Non-executive Director

Ms Vanessa Elliott Appointed 20 November 2010—term expired February 2017.
Non-executive Director

Board committees

To assist in the performance of its responsibilities, the Board has established three subcommittees: the Audit and Risk Management Committee, the Finance Committee and the Asset Management Committee.¹

From time to time the Board may create time-limited working groups to assist the Executive Management Team with specific issues or projects.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to provide independent assurance to the Board on the following functions:

- financial reporting
- performance reporting
- risk oversight and management
- system of internal control.

Finance Committee

The responsibilities of the Finance Committee are to:

- monitor AHL's funding, financial and planning strategies
- monitor the flow of funds to ensure AHL's financial viability
- oversee the investment/divestment strategy (cash and property), and monitor its performance
- provide regular reports to the Board on significant financial matters
- provide input into new projects and proposals
- advise on annual key performance indicators in relation to finance and resources, including human resources, and performance against them.

Asset Management Committee

The Asset Management Committee was formed in December 2016 to provide oversight of matters relating to longer term strategic asset management, including providing the Board with assurance that AHL is appropriately and sustainably managing and maintaining its asset portfolio.

¹ The Finance Committee and the Audit and Risk Management Committee later merged.

Directors' meetings

In 2016–17, the Board met five times, the Audit and Risk Management Committee met five times, the Finance Committee met four times and the Asset Management Committee met three times.

Each director's attendance at the meetings is shown in Table 11.

Table 11: Attendance at board and subcommittee meetings in 2016–17

Board					
Member	27/07/2016	8/11/2016	21/02/2017	17/05/2017	29/06/2017^a
Dr Susan Gordon (Chairperson)	✓	✓	✓	✓	✓
Mr Mike Allen	✓	✓	✓	✓	✓
Prof. MaryAnn Bin-Sallik	✓	✓	✓	✓	✓
Ms Denise Bowden	✓	✓	✓	✓	✓
Ms Vanessa Elliott	✓	✓	NA	NA	NA
Mr David Evans	✓	✓	✓	✓	✓
Ms Rachelle Towart	✓	✓	X	NA	NA
Ms Jennifer Ullungura Clancy	NA	NA	NA	X	✓
Ms Karen Sheldon	NA	NA	NA	✓	✓

a Strategic planning meeting

Audit and Risk Management Committee					
Member	15/07/2016	20/09/2016	09/12/2016	07/02/2017	01/05/2017
Mr David Evans (Chair)	✓	✓	✓	✓	✓
Mr Geoff Knuckey (Independent)	✓	✓	✓	✓	✓
Mr Dennis Clark (Independent)	✓	✓	✓	✓	✓

Finance Committee

Member	31/08/2016	15/11/2016	08/02/2017	02/05/2017
Ms Maria Storti (Independent Chair)	✓	✓	✓	✓
Mr David Evans	✓	✓	✓	✓
Mr Mike Allen	✓	✓	✓	✓

Asset Management Committee

Member	08/02/2017	02/05/2017
Mr Mike Allen (Chair)	✓	✓
Trevor Moody (Independent member)	✓	✓
Ms Denise Bowden	✓	X

Notes:

Excludes out-of-session teleconferences.

Dates shown as NA are outside the director's period of membership.

Remuneration policy

The Remuneration Tribunal determines the company's remuneration policy for the directors and the CEO. The tribunal approves the company's terms and conditions of remuneration relating to the appointment and retirement of the Board members and of the CEO.

The remuneration and terms of conditions of employment for the senior executives are in accordance with the *Public Service Act 1999* and common law contracts.

The non-executive directors receive the superannuation guarantee contribution required by the Australian Government, which is currently 9.5 per cent, and do not receive any other retirement benefits.

The total remuneration of the directors and senior executives of the company in 2016–17, and the relevant remuneration bands, are shown in Table 12.

Table 12: Remuneration of directors and executives in 2016–17

Category	Remuneration band	Number
Directors	\$0–\$29,999	0
	\$30,000–\$59,999	8
	\$60,000–\$89,999	1
Total	\$272,764^a	9^b
Senior executives	\$0–\$159,999	0
	\$175,000–\$234,999	4
	\$235,000–\$354,999	1
Total	\$942,605^a	5^c

a Aggregate amount of total remuneration of directors and senior executives.

b Included in the total number of directors are two whose terms finished in 2016–17. One director was reappointed and two new directors were appointed in 2016–17.

c Included in the total number of senior executives are two who did not occupy senior executive positions for the full financial year.

Indemnities and insurance

AHL maintains directors' and officers' liability insurance. The insurance covers AHL officers in respect of legal liabilities (including legal expenses) that a director or officer may be legally obliged to pay in certain circumstances. The policy has some exclusions, such as wilful breach of duty, breach of professional duty and any claim arising out of libel, slander or defamation.

The company also covers personal accident and travel insurance for directors travelling on official company business.

Proceedings on behalf of company

No person has applied for leave of a court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Related party disclosures

There were no related party disclosure transactions in 2016–17.

Rounding

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the Financial Statements and the Directors' Report have been rounded to the nearest 1,000 dollars.

Auditor's independence

The directors received an Independence Declaration from the Auditor-General for the year ended 30 June 2017. A copy of the report has been included with the Financial Statements.

Resolution of directors

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



Dr Susan Gordon AM

Chairperson

Aboriginal Hostels Limited

22 September 2017

Financial Statements



Dr Sue Gordon AM
Chairperson
Aboriginal Hostels Limited
PO Box 30
WODEN ACT 2606

**ABORIGINAL HOSTELS LIMITED FINANCIAL REPORT 2016-17
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Aboriginal Hostels Limited for the year ended 30 June 2017, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Lorena Skipper
Senior Director

Delegate of the Auditor-General

Canberra

22 September 2017

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARRON ACT
Phone: (02) 6263 7305 Fax: (02) 6263 7111



INDEPENDENT AUDITOR'S REPORT

To the members of Aboriginal Hostels Limited

Opinion

In my opinion, the financial report of Aboriginal Hostels Limited for the year ended 30 June 2017 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Aboriginal Hostels Limited's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

The financial report of Aboriginal Hostels Limited, which I have audited, comprises the following statements as at 30 June 2017 and for the year then ended:

- Statement by Aboriginal Hostels Limited Chief Executive and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of Aboriginal Hostels Limited in accordance with the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aboriginal Hostels Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the director's report for the year ended 30 June 2017 but does not include the financial statements and my auditor's report thereon.

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

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

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

Directors' Responsibility for the Financial Report

The directors of Aboriginal Hostels Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing Aboriginal Hostels Limited's ability to continue as a going concern, disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'L. Skipper', written in a cursive style.

Lorena Skipper
Senior Director
Delegate of the Auditor-General
Canberra
22 September 2017

Statement By Aboriginal Hostels Limited Chief Executive Officer And Chief Financial Officer

For The Period Ended 30 June 2017

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Aboriginal Hostels Limited will be able to pay its debts as and when they fall due.

Signed



Tony Usher
Acting CEO

22 September 2017

Signed



Michelle Deavin
CFO

22 September 2017

Statement of Comprehensive Income

For The Period Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	31,964	30,212	30,649
Hostel accommodation expenses	1B	4,398	3,922	4,091
Administration expenses	1C	6,398	8,363	9,998
Property operating expenses	1D	13,017	9,670	7,872
Depreciation and amortisation	1E	4,096	3,885	4,542
Write-down and impairment of assets and bad debts	1F	290	774	598
Finance costs		64	53	52
Total expenses		60,227	56,879	57,802
Own-Source Income				
Own-source revenue				
Other operational funding received	2A	4,623	4,714	4,714
Hostel accommodation revenue	2B	14,931	15,965	15,464
Interest	2C	447	435	514
Other revenue	2D	42	32	35
Total own-source revenue		20,043	21,146	20,727
Gains				
Gains from sale of assets	3	-	1,887	-
Reversal of write-downs and impairment	3	-	133	-
Total gains		-	2,020	-
Total own-source income		20,043	23,166	20,727
Net (cost of)/contribution by services		(40,184)	(33,713)	(37,075)
Revenue from Commonwealth Government				
Grant received from portfolio department	4	37,075	37,582	37,075
Total revenue from Commonwealth Government		37,075	37,582	37,075
(Deficit)/Surplus on continuing operations		(3,109)	3,869	-
OTHER COMPREHENSIVE INCOME				
Transfers between equity components				
Realisation of revaluation reserve – Land		-	(3,037)	-
Realisation of revaluation reserve – Building		-	(541)	-
Retained earnings		-	3,578	-
Total transfers between equity components		-	-	-
Total other comprehensive income		(3,109)	3,869	-

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Budget variances commentary – Statement of comprehensive income

Employee benefits	This variance mainly relates to the unbudgeted termination payments that were paid out during 2016-17. At the time of preparing the PBS, these amounts were not known and could not be reliably estimated.
Administration expenses	AHL significantly reduced planned administration expenditure to partially offset the increased property operating expenditure. At the time of preparing the PBS, this work had not been identified.
Property operating expenses	During 2016-17 AHL undertook a major program of repairs and maintenance across the hostel network. This urgent work was identified during condition assessment audits undertaken during 2016-17 and was not known or budgeted for at the time of preparing the PBS. AHL significantly reduced planned administration expenditure to partially offset the increased property operating expenditure.
Hostel accommodation revenue	At the time of preparing the PBS, the revenue from hostel accommodation was budgeted to be higher than what was actually achieved.

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
CURRENT ASSETS				
Financial assets				
Cash, cash equivalents and term deposits	5	25,996	28,367	25,827
Trade and other receivables	6A	628	502	791
Other financial assets	7	177	298	210
Total financial assets		26,801	29,167	26,828
Total current assets		26,801	29,167	26,828
NON CURRENT ASSETS				
Non-financial assets				
Land	8A	38,570	38,570	38,570
Buildings	8A	85,716	87,525	85,460
Art and artefacts	8A	1,469	1,484	1,481
Plant and equipment	8A	1,453	1,500	3,904
Computer software	8A	119	118	439
Total non-financial assets		127,327	129,197	129,854
Total non current assets		127,327	129,197	129,854
Total assets		154,128	158,364	156,682
LIABILITIES				
CURRENT LIABILITIES				
Payables				
Trade payables	9	1,006	1,557	1,145
Lease incentive payable	10	43	43	43
Other payables	11	1,310	1,437	595
Total payables		2,359	3,037	1,783
Provisions				
Employee provisions	14	2,156	2,229	2,164
Total current liabilities		4,515	5,266	3,947
NON CURRENT LIABILITIES				
Operating lease payable				
Minimum lease payables	12	509	454	511
Unearned lease incentive payable	10	380	423	380
Total operating lease payable		889	877	891
Provisions				
Employee provisions	14	1,621	2,009	2,609
Total provisions		1,621	2,009	2,609
Total non current liabilities		2,510	2,886	3,500
Total liabilities		7,025	8,152	7,447
Net assets		147,103	150,212	149,235
EQUITY				
Contributed equity		94,243	94,243	94,243
Reserves		56,165	56,165	56,165
(Accumulated deficit)/Retained surplus		(3,305)	(196)	(1,173)
Total equity		147,103	150,212	149,235

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Budget variance commentary - Statement of financial position

Trade and other receivables	At the time of preparing the PBS AHL budgeted for a higher trade receivables position, however, AHL's debt recovery processes have become more efficient and effective, leading to an increase in the amount of debt recovered.
Plant and equipment	During 2016-17 AHL focussed on undertaking a major program of repairs and maintenance across the hostel network instead of purchasing items of a capital nature. At the time of preparing the PBS this program of work was not known.
Computer software	AHL deferred projects relating to the purchase of new software to focus on the repairs and maintenance program. At the time of preparing the PBS this program of work was not known.
Other payables	This variance relates mainly to revenue received in advance which is recorded as a liability until it can be recognised. At the time of preparing the PBS this amount was not known and could not be reliably estimated.
Employee provisions (non-current)	This variance is mainly due to payments of long service leave related to redundancies and which was not known at the time of PBS preparation.
Retained surplus/(accumulated deficit)	This variance relates to the recorded 2016-17 deficit which at the time of preparing the PBS was not expected or known.

Statement of Changes in Equity

For The Period Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		94,243	94,243	94,243
Closing balance as at 30 June		<u>94,243</u>	<u>94,243</u>	<u>94,243</u>
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		(196)	(7,643)	(1,173)
Comprehensive income				
(Deficit)/Surplus for the period		(3,109)	3,869	-
Total comprehensive income		<u>(3,109)</u>	<u>3,869</u>	<u>-</u>
Transfers between equity components		-	3,578	-
Closing balance as at 30 June		<u>(3,305)</u>	<u>(196)</u>	<u>(1,173)</u>
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		56,165	59,743	56,165
Transfers between equity components		-	(3,578)	-
Closing balance as at 30 June		<u>56,165</u>	<u>56,165</u>	<u>56,165</u>
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		150,212	146,343	149,235
Comprehensive income				
(Deficit)/Surplus for the period		(3,109)	3,869	-
Total comprehensive income		<u>(3,109)</u>	<u>3,869</u>	<u>-</u>
Closing balance as at 30 June		<u>147,103</u>	<u>150,212</u>	<u>149,235</u>

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy

Equity injections

Amounts appropriated which are designated as "equity injections" for a year (less formal reductions) and AHL capital budgets are recognised directly in contributed equity in that year.

Budget Variance Commentary – Statement of Changes in Equity

(Deficit)/Surplus for the period	This variance relates to the recorded 2016-17 deficit which at the time of preparing the PBS was not expected or known. In February 2017 AHL applied for and received approval to incur an operating loss for 2016-17.
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Cash Flow Statement

For The Period Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Receipts from Commonwealth Government		39,182	39,982	39,475
Receipts from State and Territory Governments		3,002	2,545	2,545
Receipts from hostel accommodation customers		14,882	16,198	15,556
Interest		488	659	514
Net GST received		1,288	1,225	1,617
Other		198	622	155
Total cash received		59,040	61,231	59,862
Cash used				
Employees		32,902	29,327	30,122
Suppliers		26,140	23,433	23,664
Total cash used		59,042	52,760	53,786
Net cash from/(used by) operating activities	13	(2)	8,471	6,076
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		-	6,037	-
Term deposits		7,000	-	-
Total cash received		7,000	6,037	-
Cash used				
Payment for property, plant and equipment		2,327	4,586	4,375
Payment for intangibles		42	125	115
Term deposits		-	7,000	-
Total cash used		2,369	11,711	4,490
Net cash from/(used by) investing activities		4,631	(5,674)	(4,490)
Net increase/(decrease) in cash held		4,629	2,797	1,586
Cash and cash equivalents at the beginning of the reporting period		21,367	18,570	24,241
Cash and cash equivalents at the end of the reporting period	5	25,996	21,367	25,827

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Budgetary variance commentary – Cash flow statement

Receipts from hostel accommodation customers	At the time of preparing the PBS, the receipts from hostel accommodation customers was budgeted to be higher than what was actually achieved.
Cash used – employees	This variance mainly relates to the unbudgeted termination payments that were paid out during 2016-17. At the time of preparing the PBS, these amounts were not known and could not be reliably estimated.
Cash used – suppliers	This variance mainly relates to the higher than expected payments to suppliers for the unbudgeted repairs and maintenance works across the hostel network. At the time of preparing the PBS, these amounts were not known and could not be reliably estimated.
Term deposits	This variance relates to the term deposits that AHL has invested in as at 30 June 2017. At the time of preparing the PBS, the investment of term deposits as at 30 June 2017 could not be reliably estimated.
Payment for property, plant and equipment	During 2016-17 AHL focussed on undertaking a major program of repairs and maintenance across the hostel network instead of purchasing items of a capital nature. At the time of preparing the PBS this program of work was not known.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Overview

Aboriginal Hostels Limited (AHL) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of AHL is to provide safe, comfortable, culturally appropriate and affordable accommodation for Indigenous Australians who must live away from home to access services and labour markets.

AHL is structured to meet the following outcome of improving access to education, employment, health and other services for Aboriginal and Torres Strait Islander people travelling or relocating through the operation of temporary hostel accommodation services.

The continued existence of the entity in its present form and with its present programmes is dependent on Government policy and on continuing funding by Parliament for the entity's administration and programmes.

Entity activities contributing toward these outcomes are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the entity in its own right. AHL does not have any Administered items.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, and the Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). AHL is classified for financial reporting purposes as a not-for-profit (NFP) entity under the *Corporations Act 2001* and the Australian Accounting Standards.

The financial report has been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report, except for cash flow information, has been prepared on an accrual basis and on a historical cost basis modified where applicable by the measurement at fair value of selected assets and liabilities.

AHL's financial instruments are limited to cash, trade and other receivables and trade and other payables. AHL does not have any complex financial instruments therefore are not disclosed further in the notes. The carrying amount and fair value of AHL's financial instruments are disclosed in the statement of financial position.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Accounting Policy Changes

The accounting policies adopted by AHL during 2016-17 are consistent with those of the previous financial year.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Reporting period

AHL's reporting period commenced 1 July 2016 and ended 30 June 2017 and the comparative figures include the prior 12 months period from 1 July 2015 to 30 June 2016.

New Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

There were no amending standards that were issued prior to the sign-off date that are applicable to the current reporting period and did not have any material effect on the entity's financial statements.

All other amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the entity's financial statements.

Future Australian Accounting Standard Requirements

There were no amending standards and or interpretations that were issued by the Australian Accounting Standards Board prior to the signing of the statement by the accountable authority and Chief Financial Officer, which are expected to have a material impact on the entity's financial statements for future reporting period(s).

Events after balance date

No events after balance date requiring reporting have occurred.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Financial performance

This section analyses the financial performance of AHL for the year ended 30 June 2017.

Expenses	Note	2017	2016
Note 1A: Employee benefits		\$'000	\$'000
Wages and salaries		23,452	22,882
Annual leave		1,678	1,690
Long service leave		208	556
Other leave		1,508	990
Superannuation		4,005	3,920
Termination benefits		1,113	174
Total employee benefits		31,964	30,212

Accounting Policy

Accounting policies for employee related expenses is contained in the People and relationships section.

Note 1B: Hostel accommodation expenses

Food and beverages		3,668	3,257
Cleaning and hygiene		725	660
Medical sundries		5	5
Total hostel accommodation expenses		4,398	3,922

Note 1C: Administration expenses

Consultants and contractors		520	1,774
Travel and accommodation ¹		919	970
Training and recruitment		395	572
Information technology and communications ¹		1,252	1,216
Insurance		214	231
Directors' fees	14C	313	271
Audit fees		112	117
Workers compensation expenses		1,772	2,025
Other		901	1,187
Total administration expenses		6,398	8,363

¹ Comparatives for "Travel and accommodation" and "Information technology and communication" expenses have been adjusted to exclude Motor vehicle and IT equipment operating lease expenses (moved to Note 1D).

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 1D: Property operating expenses	Note	2017 \$'000	2016 \$'000
Operating lease expense: ¹			
- Minimum lease payments		1,561	1,612
- Contingent lease payments		58	129
Total operating lease expense		1,619	1,741
Repairs and maintenance		5,900	4,078
Minor furnishings		1,142	282
Fuel and power		1,991	1,900
Rates		762	729
Other		1,603	940
Total property operating expenses		13,017	9,670

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	1,267	1,700
Between 1 to 5 years	3,628	4,896
More than 5 years	3,576	4,329
Total operating lease commitments²	8,471	10,925

¹ Comparatives for "Operating lease expenses" have been updated to represent the total operating lease expense paid during the year (expenses have been reclassified from Note 1C).

² Comparatives for "Total operating lease commitments" have been updated to represent the total operating leases payable by AHL.

Accounting policy

Leasing commitments

Aboriginal Hostels Limited in its capacity as lessee has entered into a number of operating leases for its National and Regional offices operations, IT equipment and motor vehicles. Details are as follows:

Region/lease type	Expiry date	Annual rental (Ex GST)	Annual rental increases
Western Australia – office space	31/12/2018	\$55,200.00	4% fixed on anniversary
Top End – office space	23/11/2017	\$60,500.00	CPI on anniversary
Queensland – office space	14/11/2017	\$81,298.00	CPI on anniversary
National Office – office space	31/03/2027	\$534,694.00	3% fixed on anniversary
HP Financial services – IT equipment	24/07/2019	\$20,565.00	Flat rate

The Top End and Queensland office leases will not be renewed after their expiry date. Negotiations for an early exit from the WA office space have commenced.

AHL holds operating leases for its motor vehicle fleet which are primarily used as official pool cars for its hostels. The fleet includes a number of passenger transport buses to provide transportation to students at its secondary education hostels.

The lease providers are SG fleet and Interleasing Australia (AHL is currently in the process of winding up its lease agreements with Interleasing Australia in response to the federal government decision regarding the official fleet vehicle provider).

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy (continued - leasing)

These motor vehicle leases have been executed on a flat rate of rental throughout the lease period and they are subject to various amounts of annual rental depending on the value of the vehicle at the time of its contract signing. At 30 June 2017 AHL holds operating leases for 5 commuter buses for some of the secondary education Hostels and 46 utilities including some small passenger cars.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

AHL does not hold any finance leases, where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

Note 1E: Depreciation and amortisation	Note	2017	2016
		\$'000	\$'000
Depreciation:			
Buildings		3,225	3,071
Plant and equipment		671	590
Art and artefacts		15	15
Total depreciation		3,911	3,676
Amortisation:			
Leasehold improvements		144	161
Intangibles		41	48
Total amortisation		185	209
Total depreciation and amortisation		4,096	3,885
Note 1F: Write-down and impairment of assets and bad debts			
Write-down and impairment of assets			
Building		43	96
Plant and equipment		100	192
Art and artefacts		0	12
Intangibles		-	173
Total write-down and impairment of assets		143	473
Bad debts write off and provision for bad debts		147	301
Total write-down and impairment of assets and bad debts		290	774

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting Policy

Accounting policies for depreciation expenses are contained in Note 8A: Schedule of property, plant and equipment and intangible assets.

Expense recognition

Resources provided free of charge

Resources provided free of charge by AHL are recognised as expenses when and only when the 'fair value' can be reliably determined and the services would have been sold if they had not been donated. Resources provided free of charge are recorded as either an expense or a loss depending on their nature.

Income tax

No provision for income tax has been raised as AHL is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable or payable to the Australian Taxation Office is included with other receivables and payables in the statement of financial position. Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office are presented as cash flows and included in receipts from customers or payable to suppliers.

Own-Source revenue and gains

Note 2A: Other operational funding received¹	Note	2017	2016
		\$'000	\$'000
Funding for operation of hostels managed by AHL on behalf of other agencies			
Department of Prime Minister and Cabinet (PM&C)			
<i>Wadeye Secondary Education Boarding Facility</i>		2,107	2,400
Northern Territory Department of Housing			
<i>Akangkentye Hostel</i>		634	613
<i>Apmere Mwerre Visitor Park</i>		1,363	1,196
Northern Territory Department of Health			
<i>Alyerre Hostel</i>		519	505
Total Funding for operation of hostels managed by AHL on behalf of other agencies		4,623	4,714

¹ These grants are defined as non-reciprocal transfers under accounting standard AASB 1004

Note 2B: Hostel accommodation revenue

Tariff collected	14,815	15,831
Other revenue	116	134
Total hostel accommodation revenue	14,931	15,965

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to AHL and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

Rendering of services

Revenue received for the provision of hostel accommodation is recognised upon the delivery of the service to customers, with all outstanding hostel tariff revenue accounted for as trade receivables and revenue payable by State and Territory organisations.

Other income

Other income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to AHL and the income can be reliably measured.

Contributions

A contribution occurs when AHL receives an asset or cash without returning approximately equal value to the parties that provided the cash or asset for example property donations, grant funding to deliver administered programs. Contributions are referred to under Accounting Standard AASB 1004 as non-reciprocal transfers of economic benefits. Income from contributions is recognised at the time the revenue is received, not in the period when the expense is incurred. The only exception is tariff revenue from State, Territory, and local government agencies which is accounted for in the same way as tariff revenue from any other debtor.

Resources received free of charge

Resources received free of charge by AHL are recognised as revenue when the 'fair value' can be reliably determined and the services would have been purchased if they had not been donated. AHL does not include an estimate of the value of hostels provided to AHL free of charge to operate in its financial statements as these arrangements always result in nil impact to the financial position of AHL. AHL would not have purchased these resources if they were not provided free of charge.

No value has been recognised in AHL's current or prior year financial statements for resources received free of charge.

Notes to the Financial Statements

For The Period Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Note 2C: Interest income			
Interest income		447	435
Total interest income		<u>447</u>	<u>435</u>

Note 2D: Other income

Rent received		42	32
Total other income		<u>42</u>	<u>32</u>

Note 3: Gains

Gain on sale of property, plant and equipment ¹		-	1,887
Reversal of write-downs and impairment		-	133
Total gains		<u>-</u>	<u>2,020</u>

¹ AHL sold the Gu-Dgodah Hostel and the Jane Arnold Hostel during 2015-16.

Note 4: Revenue from Commonwealth Government

Department of Prime Minister and Cabinet (PM&C)			
Grant received from portfolio department		37,075	37,582
Total Grant received from Commonwealth Government		<u>37,075</u>	<u>37,582</u>

Accounting policy

Interest revenue

Interest revenue is recognised using the effective interest method.

Sale of assets

Gain from disposal of assets are recognised when control of the assets has passed to the buyer.

Revenue from Government

Funding received or receivable from non-corporate Commonwealth entities (appropriated to PM&C as a corporate Commonwealth entity payment item for payment to AHL) is recognised as Revenue from Government by AHL unless the funding is in the nature of an equity injection or a loan.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Financial Position

This section analyses AHL's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the people and relationships section.

Note 5: Cash and cash equivalents and term deposits	Note	2017 \$'000	2016 \$'000
Cash at bank		25,828	21,199
Donation account		168	168
Total cash and cash equivalent		25,996	21,367
Term deposits		-	7,000
Total cash equivalents and term deposits		25,996	28,367
Note 6A: Trade and other receivables			
Trade receivables		345	183
Less: Provision for impairment		(75)	(75)
Total trade receivables		270	108
GST receivable		211	117
Other receivables		147	277
Total other receivable		358	394
Total trade and other receivables		628	502

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) deposits held at call at bank; and
- c) other short-term deposits.

Note 6B: Provision for impairment of receivables

A review is undertaken at 30 June each year of all outstanding trade receivables to identify impaired and uncollectable debts. Individual debts deemed uncollectable are written off at year end and a provision for impairment (doubtful debts) is recognised.

Total trade and other receivables are expected to be recovered within no more than 12 months.

Accounting policy

Trade and other receivables

Receivables for goods or services are recognised at the nominal amounts due less any allowances for impairment. The collectability of debts is reviewed at year end. An allowance is recognised when the collectability of the debt is no longer probable and reported as a provision for impairment. The 'No Pay No Stay' policy is in place to reduce the level of irrecoverable debts from residents and hostel accommodation tariff payable by institutional debtors (e.g. State and Territory government agencies). Debts are either paid upfront or within 60 days of the accommodation being provided to residents.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Reconciliation of the impairment allowance for trade receivables are noted below:

Note 6B: Movement in relation to 2017	2017
	\$'000
As at 1 July 2016	(75)
Amount written off	147
Increase/(Decrease) recognised in net cost of service	(147)
Closing balance provision for impairment as at 30 June 2017	<u>(75)</u>

Note 6B: Movement in relation to 2015	2016
	\$'000
As at 1 July 2015	(70)
Amount written off	296
Increase/(Decrease) recognised in net cost of service	(301)
Closing balance of provision for impairment as at 30 June 2016	<u>(75)</u>

	Note	2017	2016
		\$'000	\$'000
Note 7: Other current assets			
Prepayments		177	298
Total other current assets		<u>177</u>	<u>298</u>

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 8A: Schedule of property, plant and equipment and intangible assets	Note	2017 \$'000	2016 \$'000
Land and buildings			
Land at fair value		38,570	38,570
Total land		38,570	38,570
Buildings at fair value		90,818	89,526
Add: Work in progress at historic cost		55	3
Less: Accumulated depreciation		(6,219)	(3,211)
Total buildings		84,654	86,318
Leasehold improvements at historic cost		1,897	2,098
Less: Accumulated depreciation		(835)	(891)
Total leasehold improvements		1,062	1,207
Total land and buildings		124,286	126,095
Plant and equipment			
Plant and equipment at historic cost		3,460	2,903
Less: Accumulated depreciation		(2,007)	(1,403)
Total plant and equipment		1,453	1,500
Art and artefacts			
Art and artefacts at fair value		1,499	1,499
Less: Accumulated depreciation		(30)	(15)
Total art and artefacts		1,469	1,484
Software			
Software at historic cost		510	510
Add: Work in progress at historic cost		42	-
Less: Accumulated depreciation		(433)	(392)
Total software		119	118
Total property, plant and equipment		127,327	129,197

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 8B: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2017

	Buildings			Total Land and Plant and Art and		Software		Total		
	Land Buildings	Progress Improvements	Work In Progress	Buildings	Equipment	Artifacts	Work in progress	Computer Software	Computer Software	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
As at 30 June 2016										
Closing gross book value	38,570	89,526	3	2,098	130,197	2,903	1,499	-	510	135,109
Closing accumulated depreciation	-	(3,211)	-	(891)	(4,102)	(1,403)	(15)	-	(392)	(5,912)
Closing net book value at 30 June 2016	38,570	86,315	3	1,207	126,095	1,500	1,484	-	118	129,197
Additions:										
By acquisition	-	-	2,327	-	2,327	-	-	42	-	2,369
Capitalised from work in progress	-	1,548	(2,275)	3	(724)	724	-	-	-	-
Disposal of assets	-	(39)	-	(4)	(43)	(100)	-	-	-	(143)
Impairment of assets	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	(3,225)	-	(144)	(3,369)	(671)	(15)	-	(41)	(4,096)
Closing net book value at 30 June 2017	38,570	84,599	55	1,062	124,286	1,453	1,469	42	77	127,327

Net book value as at 30 June 2017 represented by

Closing gross book value	38,570	90,818	55	1,897	131,340	3,460	1,499	42	510	136,851
Closing accumulated depreciation	-	(6,219)	-	(835)	(7,054)	(2,007)	(30)	-	(433)	(9,524)
Closing net book value at 30 June 2017	38,570	84,599	55	1,062	124,286	1,453	1,469	42	77	127,327

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy

Property, plant and equipment (includes fit out in leased properties, art and artefacts)

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total) or they are art and artefacts where AHL has no capitalisation threshold.

Art, artefacts, land and buildings are carried at 'fair value' less depreciation, whereas leasehold improvements, plant and equipment are carried at historic cost less accumulated depreciation and less any identified impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

Independent valuations

The last independent valuation of land and buildings was undertaken by Australian Valuation Solutions (AVS) as at 30 June 2015.

These independent valuations were undertaken by AHL to: obtain the current values of land and buildings for accounting and insurance purposes, identify potential impairment to historical values, and ensure AHL's assets are not carried at amounts greater than 'fair value' as required by accounting standard AASB 136, Impairment of Assets.

AHL plans to undertake revaluations of all AHL owned land, buildings, art and artefacts, including reassessments of the remaining useful lives of all AHL owned buildings, every three years and reflect these valuations and remaining useful lives in AHL's asset register and accounts.

Valuation policy for art and artefacts

AHL adopted a revaluation model in 2012-13 as a policy for subsequent measurement of its art and artefacts. Accordingly, in 2014-15 AHL engaged an independent valuer to revalue its art and artefacts as at 30 June 2015 on the basis of 'fair value'. Any art and artefacts received as a gift or donation or that were identified for the first time during the 2014-15 stocktake were assigned a minimum management valuation of \$50. All valuation increases have been recognised in the 'Art and Artefacts Revaluation Reserve'. All art and artefacts continue to be depreciated over 100 years. Although all care is taken by AHL to protect its art and artefacts, AHL does not have a formal 'preservation plan' in place to protect these assets indefinitely. Consequently, these assets cannot be classified as heritage assets and have not been assigned unlimited useful lives.

Valuation policy for land and buildings

AHL adopted a revaluation model in 2012-13 as a policy for subsequent measurement of its land, buildings and building improvements. Accordingly, in 2014-15 AHL engaged an independent valuer to revalue its land and buildings as at 30 June 2015. The remaining useful lives of all buildings and building improvements in 2014-15 were also reviewed and updated. AHL will depreciate all building and building improvements over the revised remaining useful lives of the assets until the next revaluation to be conducted in 2017-18. The net valuation increases were recognised in AHL's Land and Buildings Revaluation Reserves.

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

In 2014-15 AHL updated its accounting policy to include other plant and equipment that are permanently fitted to the building and form an integral part of the building achieving its expected economic benefit.

New acquisitions are initially valued at 'historic cost' and subsequently revalued to 'fair value' as part of the next scheduled independent tri-annual revaluation process.

Disclosure of leasehold improvements

AHL records the cost of office fitouts and capital improvements over \$2,000 undertaken by AHL in leased properties at 'historic cost' and depreciates the cost over the life of each lease.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy (continued) - Property, plant and equipment

AHL reviews its leasehold makegood liabilities with respect to each leasehold improvement agreement. For 2016-17, there was no evidence, past or present, of any damage to the leasehold premises that would require a provision for makegood to be accounted for.

Depreciation of property, plant and equipment

Depreciable property, plant and equipment with the exception of leasehold improvement assets are written off to their estimated residual values over their estimated useful lives using the straight line method of depreciation commencing from the time the asset is available for use. Leasehold improvements are depreciated on a straight line basis over the estimated useful life of the improvements.

Depreciation rates (useful lives) at the end of each reporting period together with necessary adjustments are recognised in the current and future reporting periods as appropriate. Depreciation rates applying to each class of depreciable asset are based on the following average useful lives:

Asset category	2017	2016
Buildings – infrastructure	32 Years	32 Years
Buildings – structure	53 Years	53 Years
Buildings – plant and equipment	17 Years	17 Years
Buildings – fit out	24 Years	24 Years
Buildings – Health and safety equipment	20 Years	20 Years
Art and artefacts	100 Years	100 Years
Leasehold improvements*	5-15 Years	5-15 Years
Furniture and fittings	5 Years	5 Years
Computer equipment	3 Years	3 Years
Office machinery	5 Years	5 Years
Electrical equipment	5 Years	5 Years

Notes:

* Leasehold improvements include fitout of AHL's National Office which is depreciated over the 15 year lease and improvements to all other leased offices.

The aggregate amounts of depreciation and amortisation expenses allocated for each class of asset during the reporting period are disclosed in notes 1E and 8A.

Gains and losses on disposal

Gains and losses on disposals are determined by comparing proceeds from sale of assets with the carrying value of each asset. These gains or losses are included in the statement of comprehensive income.

Work in progress – Property, plant and equipment

The full cost of construction work undertaken on AHL owned projects is capitalised in work in progress (WIP) at historical cost. Once completed, these assets are transferred from WIP to the respective asset classes within property, plant and equipment. However, where AHL receives funding to construct hostels or maintain hostels on behalf of other agencies, the full cost is immediately expensed and not capitalised. These hostels are capitalised by the respective owners upon completion and handover by AHL.

Intangibles

Software

AHL's intangibles comprise purchased software which is carried at cost less accumulated amortisation and less any impairment losses. Software is amortised on a straight line basis over its anticipated useful life commencing when the software is installed ready for use. The useful life of AHL's software is estimated at five years and the value is assessed annually for impairment. AHL's capitalisation threshold for software is \$2,000.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy (continued) Property, plant and equipment

Work in progress – software

The full cost of purchasing IT software and customising it for AHL's business operations is capitalised in WIP at historical cost until the IT systems are installed ready for use. The full cost of purchasing and developing the completed software is then transferred from WIP to the appropriate software category in the asset register and amortised over the estimated useful life of the software.

Any software development costs not directly related to the development of the final installed software is expensed. Software licence fees are capitalised separately from the software and amortised over the life of each licence.

Impairment of assets

At the end of each reporting period, AHL reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists because the recoverable amount of the asset, (i.e. Fair value less selling costs) is lower than the asset's carrying value, the difference is recognised as an expense.

AHL believes that all property, plant, equipment and software are accurately valued and reflect the current condition of these assets.

Accounting policy

Trade payables

Trade creditors represent the liability outstanding at the end of the financial year for goods and services received by AHL before year end which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	Note	2017 \$'000	2016 \$'000
Note 9: Trade payables			
Trade payables			
Trade payables		1,006	1,557
Total trade payables		1,006	1,557
Suppliers expected to be settled			
No more than 12 months		1,006	1,557
Total trade payables		1,006	1,557
Note 10: Unearned lease incentive payable			
Unearned lease incentive payable		423	466
Total unearned lease incentive payable		423	466
Unearned lease incentive payable expected to be settled			
No more than 12 months		43	43
More than 12 months		380	423
Total Unearned lease incentive payable		423	466
Note 11: Other payables			
Employee payables		851	1,353
Revenue received in advance		459	84
Total other payables		1,310	1,437
Other payables expected to be settled			
No more than 12 months		1,310	1,437
Total other payables		1,310	1,437
Note 12: Minimum lease payables			
Minimum lease payables		509	454
Total minimum lease payables		509	454

Notes to the Financial Statements

For The Period Ended 30 June 2017

Credit terms for goods and services were within 30 days (2016: 30 days). AHL has not made loans to any entity.

Provisions

Provisions are recognised when AHL has a legal or constructive obligation as a result of past events, where it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions record AHL's best estimate of the amounts required to settle the obligations at the end of the financial year.

Leases

All lease payments relate to operating leases where all the risks and benefits substantially remain with the lessor, are recognised as an expenses on a straight-line basis over the lease term.

Lease incentives incorporated in operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term. AHL does not hold any finance leases.

Note 13: Cash flow reconciliation	Note	2017	2016
		\$'000	\$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement			
Cash flow statement		25,996	21,367
Statement of financial position	5	25,996	21,367
Discrepancy		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Reconciliation of net cost of services to net cash from/(used by) operating activities			
Net(cost of)/contribution by services		(40,184)	(33,713)
Revenue from Government		37,075	37,582
Adjustments for non-cash items			
Depreciation/amortisation		4,096	3,885
Net write down and impairment of non-financial assets		143	473
Reversal of write-downs and impairment		-	(133)
Bad debts		-	301
Gain on disposal of assets		-	(1,887)
Movement in assets and liabilities			
Assets			
(Increase)/Decrease in net receivables		(126)	578
Decrease in prepayments		121	(91)
Liabilities			
(Decrease) in unearned lease incentive payable		(43)	(43)
Increase/(Decrease) in employee provisions		(461)	455
Increase/(Decrease) in suppliers payables		(551)	401
Increase/(Decrease) in other payables		(72)	663
Net cash from/(used by) operating activities		<hr style="width: 100%;"/> (2)	<hr style="width: 100%;"/> 8,471

Notes to the Financial Statements

For The Period Ended 30 June 2017

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

	Note	2017 \$'000	2016 \$'000
Note 14A: Provision for employee benefits			
Provision for annual leave		1,824	1,817
Provision for long service leave		1,953	2,421
Total employee benefits		3,777	4,238
Employee benefits expected to be settled			
No more than 12 months		2,156	2,229
More than 12 months		1,621	2,009
Total employee benefits		3,777	4,238

Accounting policy

Employee benefits

Leave provisions

A provision is made for AHL's liability for employee entitlements arising from services rendered by employees at the reporting date to the extent that they have not been settled. These benefits include wages and salaries, annual leave and long service leave.

Liabilities for short-term employee benefits (as defined in AASB 119 Employee Benefits) arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Other employee entitlements payable later than twelve months have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave, as it is non-vesting and the average sick leave taken in future years by employees of AHL is estimated to be less than the annual entitlement for sick leave.

Superannuation

Staff at AHL are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or of each employee's chosen superannuation fund.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme. From 1 July 2005, new employees are eligible to join the PSSap scheme. Where staff do not indicate a preference, PSSap is the default superannuation fund.

Contributions are made by AHL to the above schemes at the rates determined by an actuary to be sufficient to meet the costs to the Commonwealth Government of the superannuation entitlements of AHL's employees. AHL recognises contributions as expenses when incurred.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Accounting policy (continued) – Employee benefits.

Accounting Judgements and Estimates

In 2014-15 AHL adopted the Shorthand method as per PGPA rule 2015.24(b).(iii) as the calculation methodology for employee entitlements. Each year AHL updates the calculation parameters as published in the Standard Parameters table by the Department of Finance as at reporting date.

In 2014-15 AHL reviewed its employee profile for the purpose of determining application parameters for on-cost factor application and to estimate the pattern of the employees likely to access their long term entitlement while in service and on termination of their contract with AHL. AHL will continue to review its employee profile with a sufficient regularity to ensure the parameters applied do not differ materially against the employee profile of the reporting period. In 2016 - 17 AHL has estimated its 10 year salary growth as 2% for employee provision discounting.

Note 14B: Names of key management personnel in office at any time during the financial year are:

Directors	Position	Term
Dr Susan Gordon AM	Chair, non-executive director	11/09/2015 to 10/09/2018
Mr David Evans	Deputy Chair, Non-executive director	26/06/2016 to 25/06/2017 26/06/2017 to 24/06/2018
Prof. MaryAnn Bin-Sallik AO	Non-executive director	02/03/2016 to 01/03/2019
Mr Mike Allen	Non-executive director	02/03/2016 to 01/03/2019
Ms Denise Bow den	Non-executive director	02/03/2016 to 01/03/2019

New appointments in 2016-17

Ms Jennifer Ullungura Clancy	Non-executive director	10/05/2017 to 10/05/2020
Ms Karen Sheldon AM	Non-executive director	10/05/2017 to 10/05/2020

Retirements and resignations in 2016-17

Ms Vanessa Elliott	Non-executive director	20/11/2010 to 20/02/2017
Ms Rachelle Tow art	Non-executive director	02/03/2016 to 14/02/2017

Senior management personnel

Mr Tony Usher	Acting Chief Executive Officer	18/07/2016 to 17/10/2017
Ms Michelle Deavin	Company Secretary, Chief Financial Officer	16/08/2016 to 31/07/2018
Ms Brenda Campe	Acting General Manager, Hostel Operations	24/04/2017 to 25/10/2017
Ms Sharon Flanigan	Acting General Manager, Human Resources	21/07/2016 to 31/01/2017
Ms Joy Savage	Former Chief Executive Officer	11/10/2011 to 10/10/2016
Ms Georgina McKenzie	Former Company Secretary, Chief Financial Officer	Retired on 31/08/2016
Ms Kate Thomann	Former Acting General Manager, Human Resources	18/04/2016 to 03/08/2016
Mr Brendan Moyle	Former General Manager, Hostel Operations	24/04/2016 to 10/10/2016

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 14C: Key management personnel remuneration

	2017	2016
Senior executive remuneration	\$	\$
Short-term employee benefits		
Salary	611,935	672,080
Motor vehicle and other allowances	50,587	59,134
Total short-term employee benefits	662,522	731,214
Post-employment benefits		
Superannuation	105,404	110,945
Total post-employment benefits	105,404	110,945
Other employee benefits		
Annual leave	45,498	43,007
Long-service leave ¹	14,628	13,827
Total other employee benefits	60,126	56,834
Termination benefits		
Eligible termination benefits	67,775	-
Total termination benefits	67,775	-
Total senior executive remuneration	895,827	898,993
Directors' remuneration²		
Short-term benefits		
Directors' fees	285,832	248,197
Total directors' fees	285,832	248,197
Post-employment benefits		
Superannuation	27,059	23,367
Total superannuation	27,059	23,367
Total directors' remuneration	312,891	271,564
Total key management personnel remuneration	1,208,718	1,170,557

The total number of senior management personnel that are included in the above table is 8 which includes part year positions. The duration of their tenures are disclosed in Note 14B.

¹ Comparative numbers for 2016 have been updated to represent change in the methodology for leave entitlement calculation.

² Financial year 2015-16 two directors positions were vacant for more than three months.

The above Directors' remuneration includes 8 members including the chairperson of the board and at the time of reporting AHL board is comprise of seven directors.

Note 14D: Related party disclosures

There are no related party disclosure transactions for 2016-17 (nil in 2015-16).

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 15: Resources received and provided free of charge

In 2016-17 AHL had the use of five hostel properties which they received and operated free of charge (five in 2015-16). AHL did not provide any resources for free of charge in 2016-17. The value of the benefits received free of charge during 2016-17 as in prior years, has not been estimated by AHL as these services would not have been purchased if not provided free of charge.

Note 16: Economic dependency

AHL currently receives the majority of its funding from the Commonwealth, State and Territory Governments and is therefore financially dependent on them.

Note 17: Contingent assets and liabilities

At 30 June 2017, AHL had no quantifiable or less than remote contingent assets or liabilities (nil in 2015-16).

Accounting policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 18: Fair value measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability ('hypothetical market' based evidences).

AHL engaged the service of an independent valuer to conduct a detailed external valuation of all non-financial assets at 30 June 2015 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations carried out at least once every three years. The independent valuer has provided written assurance to the AHL that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical depreciation and obsolescence - assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the depreciated replacement cost approach. Under the depreciated replacement cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence have been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 18: Fair value measurement (continued)

Note 18A: Fair value measurements at the end of the reporting period

	2017	2016
	\$'000	\$'000
Financial assets measured at fair value in the statement of financial position		
Cash, cash equivalents term deposits	25,996	28,367
Trade and other receivables	628	502
Other financial assets	177	298
Total financial assets measured at fair value in the statement of financial position	26,801	29,167
Non-financial assets measured at fair value in the statement of financial position¹		
Land	38,570	38,570
Buildings	83,943	85,608
Art and artefacts	1,469	1,484
Total non-financial assets measurements at fair value in the statement of financial position	123,982	125,662
Total assets measured at fair value in statement of financial position	150,783	154,829
Non-financial assets not measured at fair value in the statement of financial position		
Other building improvements	711	710
Leasehold improvements	1,062	1,207
Plant and equipment	1,453	1,500
Intangibles	119	118
Total non-financial assets not measured at fair value in the statement of financial position	3,345	3,535
Financial liabilities measured at fair value in the statement of financial position		
Trade payables	1,006	1,557
Other payables	1,310	1,437
Unearned lease incentive payables	43	43
Total financial liabilities measured at fair value in the statement of financial position	2,359	3,037
Non-financial liabilities measured at fair value in the statement of financial position		
Minimum lease payables	509	454
Unearned lease incentive payables	380	423
Total non-financial liabilities measured at fair value in the statement of financial position	889	877
Total liabilities measured at fair value in statement of financial position	3,248	3,914
Financial liabilities not measured at fair value in the statement of financial position		
Employee provisions	1,621	2,009
Total financial liabilities not measured at fair value in the statement of financial position	1,621	2,009
Non-financial liabilities not measured at fair value in the statement of financial position		
Employee provisions	2,156	2,229
Total non financial liabilities not measured at fair value in the statement of financial position	2,156	2,229
Total liabilities not measured at fair value in statement of financial position	3,777	4,238

¹ AHL did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2017.

Notes to the Financial Statements

For The Period Ended 30 June 2017

Note 19: Trust accounts

AHL administers the following two trust accounts in accordance with the individual bequests. As these trust accounts are not AHL monies, they have not been incorporated into AHL's financial statements but have been instead reported separately in this note.

Note 19A: May Ames bequest account

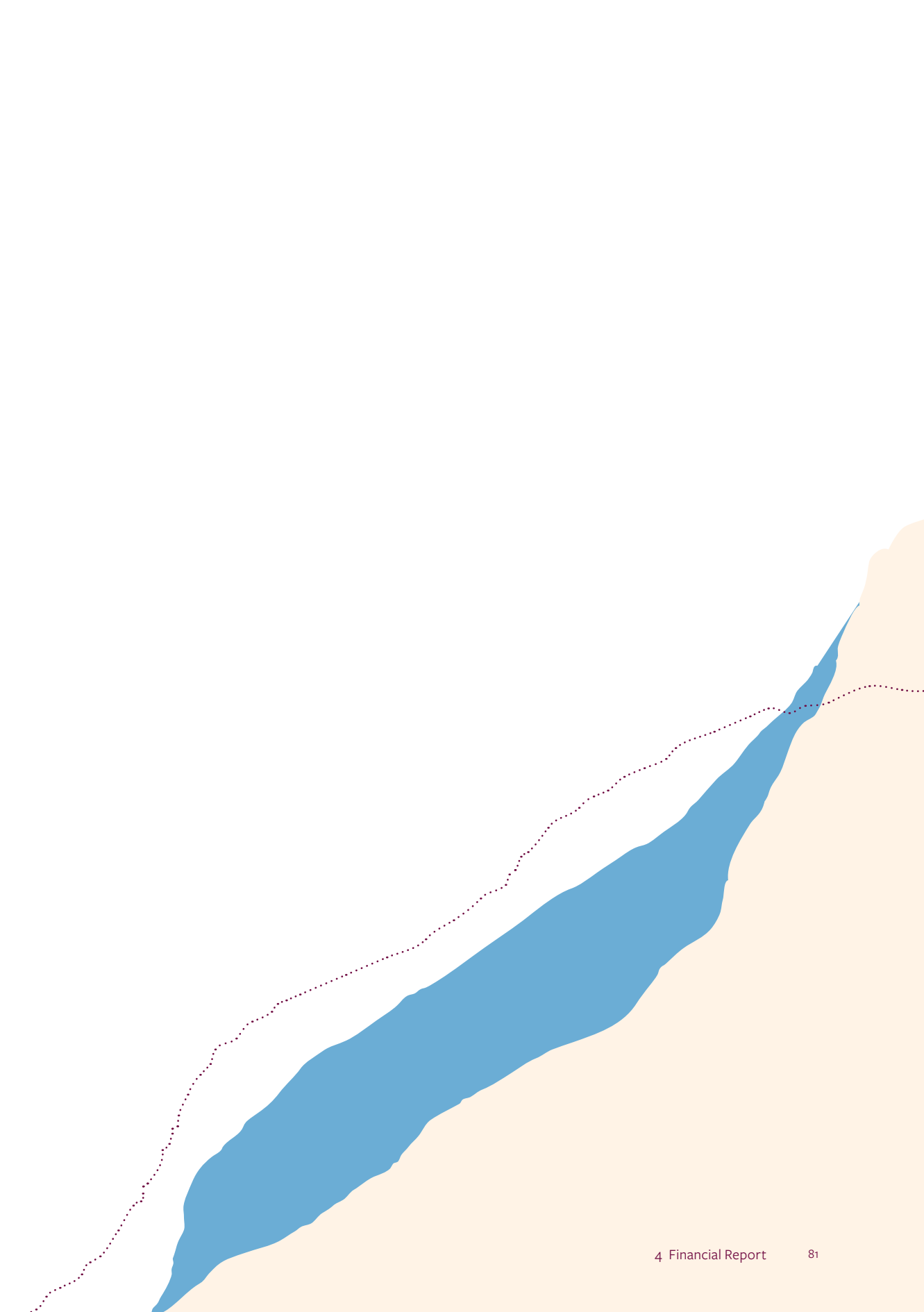
During 1981-82 \$46,980 was received by AHL from the estate of the late May Ames to be used for the benefit of secondary school children. The funds have been invested by AHL in the following Commonwealth Bank of Australia bank accounts:

	Note	2017	2016
		\$	\$
CAPITAL ACCOUNT			
Opening balance		75,563	75,563
Closing balance of capital account		<u>75,563</u>	<u>75,563</u>
OPERATING ACCOUNT			
Opening balance		11,440	11,039
Bank interest		20	401
Closing balance of operating account		<u>11,460</u>	<u>11,440</u>
Closing balance of May Ames bequest account		<u>87,023</u>	<u>87,003</u>

Note 19B: Ashley Cooper bequest account

During 2006-07 \$137,189 was received by AHL from the estate of the late Ashley Cooper to be used for the benefit of secondary school children in South Australia and Northern Territory. The funds have been invested by AHL in the following Commonwealth Bank of Australia bank accounts:

CAPITAL ACCOUNT			
Opening balance		125,000	125,000
Closing balance capital account		<u>125,000</u>	<u>125,000</u>
OPERATING ACCOUNT			
Opening balance		20,115	19,447
Bank interest		33	668
Closing balance of operating account		<u>20,148</u>	<u>20,115</u>
Closing balance of Ashley Cooper bequest account		<u>145,148</u>	<u>145,115</u>



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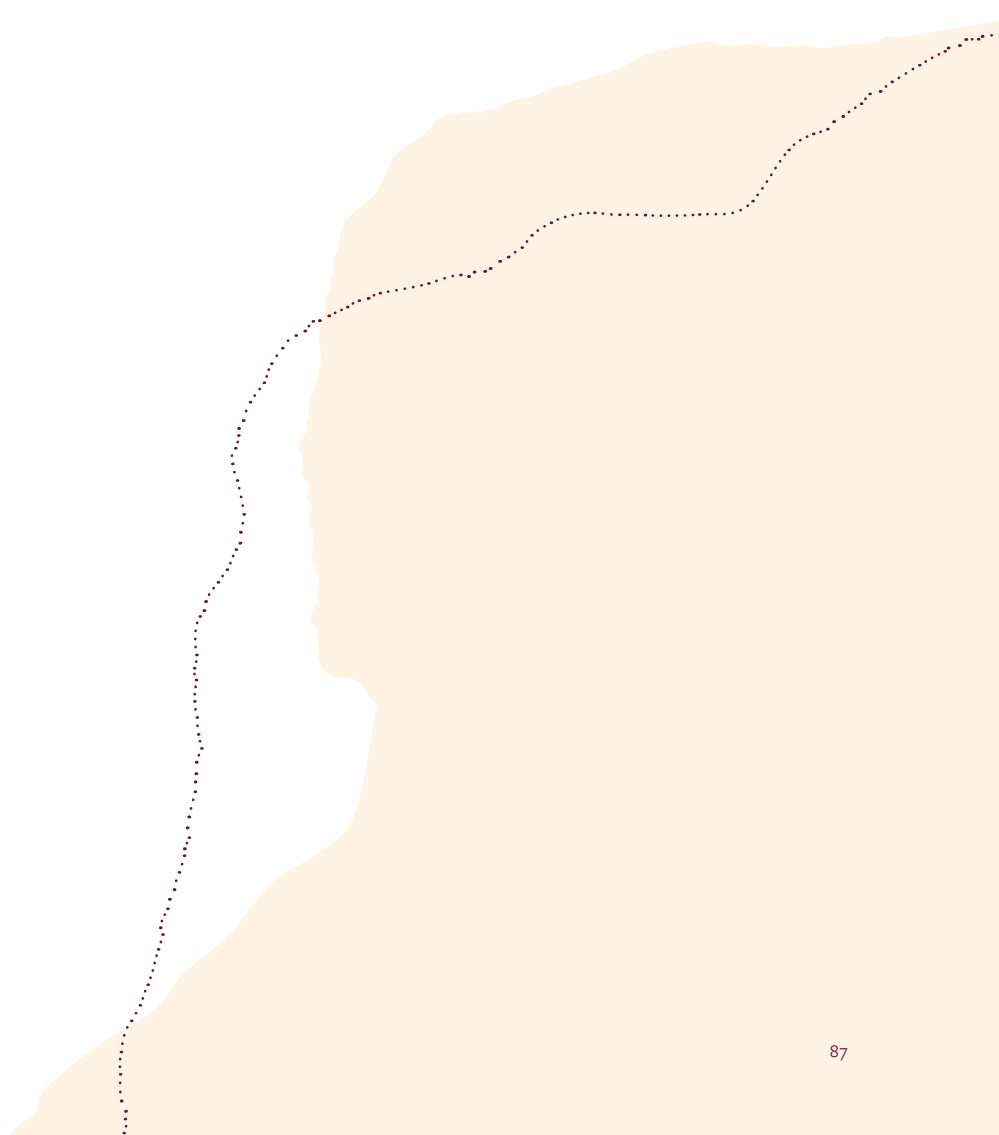
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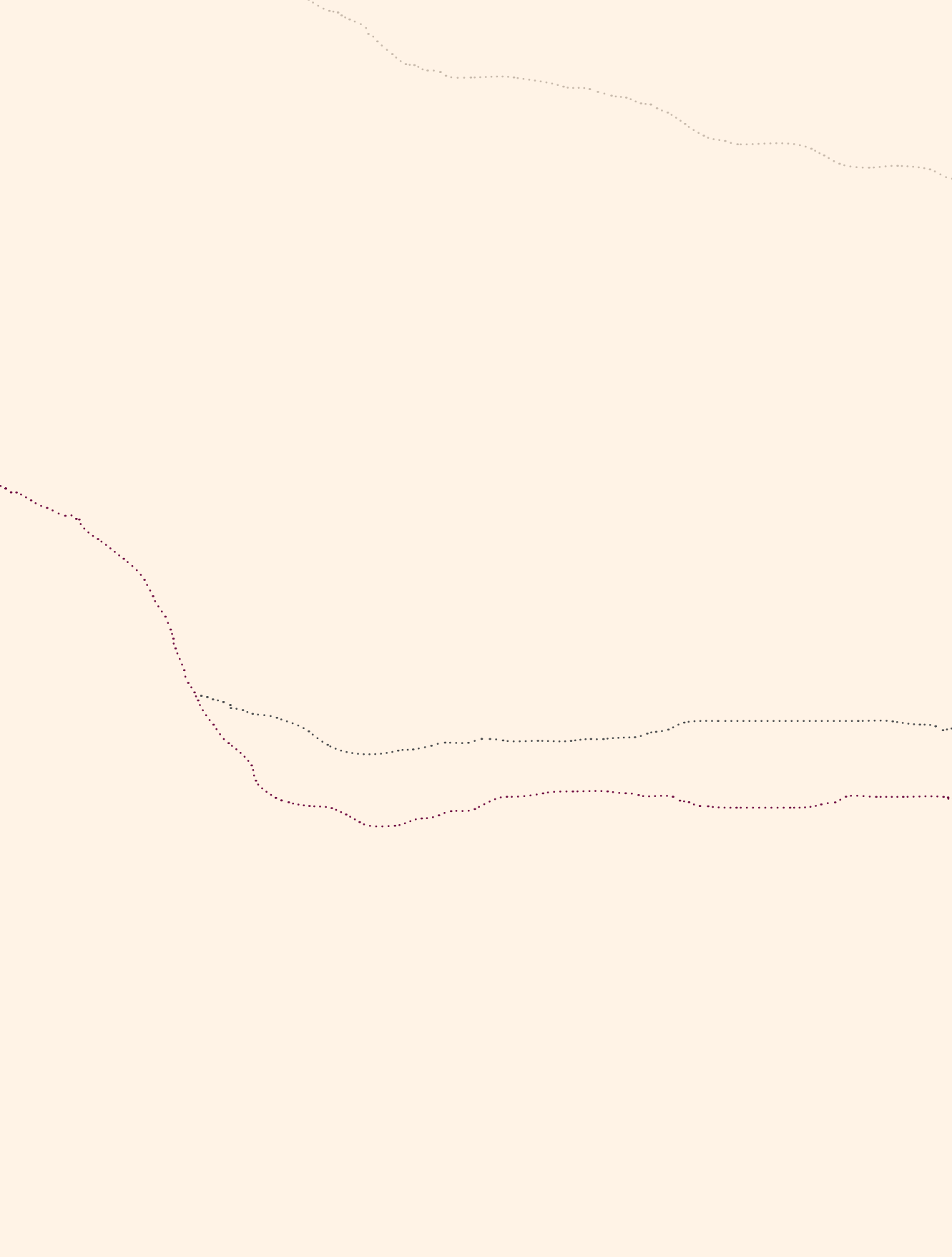
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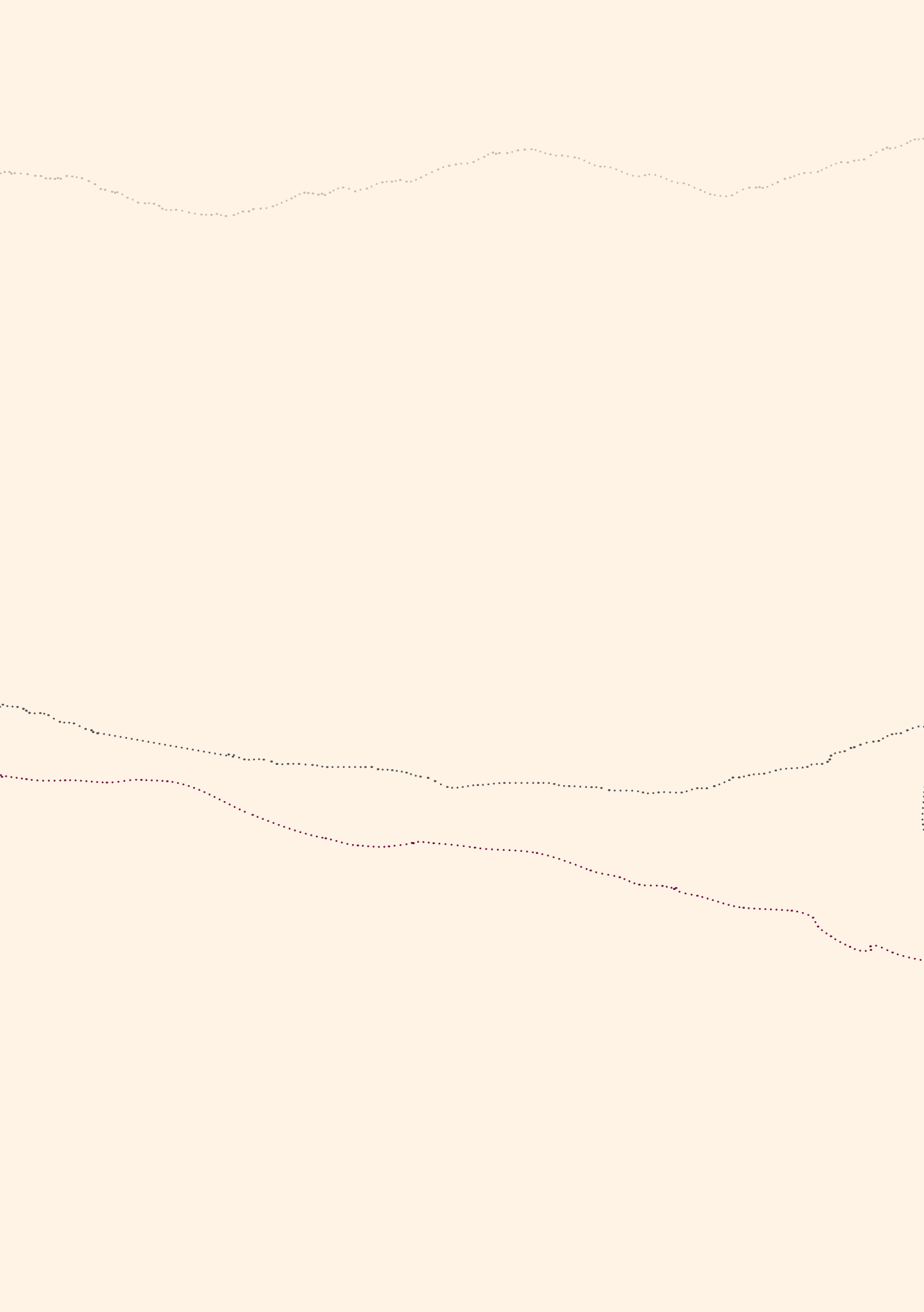


Compliance index

Requirement	Source	Part/page no. of this report
Public Governance, Performance and Accountability Rule 2014		
Approval of the report by directors	Section 28B	Letter of transmittal
Parliamentary standards of presentation	Section 28C	Throughout
Plain English and clear design	Section 28D	Throughout
Purpose	Paragraph 28E(a)	4
Responsible minister	Paragraph 28E(b)	28
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Significant activities and changes	Paragraph 28E(l)	37
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Reports by the Auditor-General, a parliamentary committee, the Commonwealth Ombudsman, the Office of the Australian Information Commissioner or the Australian Securities and Investments Commission	Paragraph 28E(n)	30
Information from subsidiaries	Paragraph 28E(o)	Not Applicable
Compliance index	Paragraph 28E(p)	86

Requirement	Source	Part/page no. of this report
<i>Corporations Act 2001</i>		
Directors' resolution	Subsection 298(2)	Letter of transmittal
Director's signature	Subsection 298(2)	Letter of transmittal
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Financial report	Sections 301 and 316A	36-37
Other legislation		
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<i>Work Health and Safety Act 2011</i>	Schedule 2, Part 4	20, 33





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