



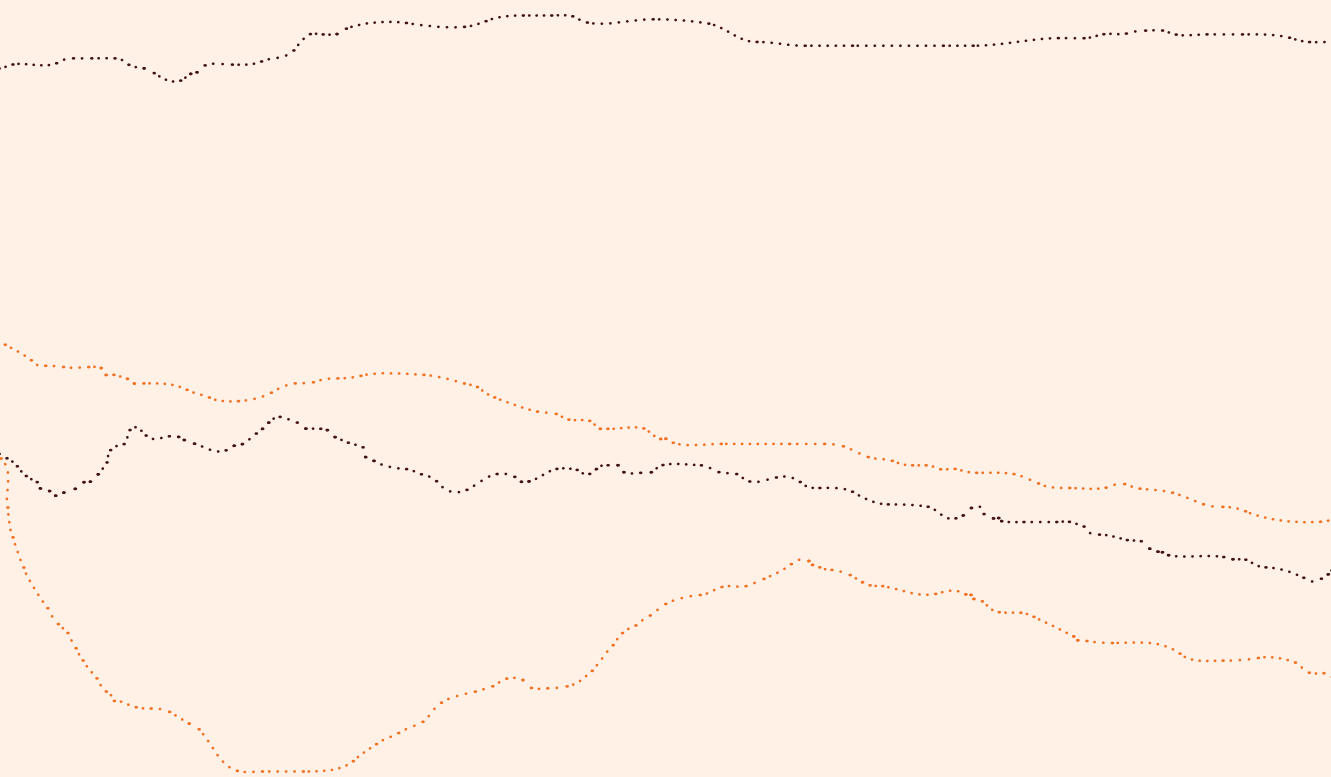
Australian Government
Aboriginal Hostels Limited

ABORIGINAL HOSTELS LIMITED

Annual Report

2015–16





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Annual Report

2015-16



Aboriginal Hostels Limited

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This document must be attributed as the Aboriginal Hostels Limited Annual Report 2015–16.

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Letter of transmittal



Australian Government
Aboriginal Hostels Limited

17 October 2016

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, I am pleased to submit our Annual Report for the financial year ended 30 June 2016.

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 23 September 2016.

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 2015–16 financial year.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Susan Gordon'.

Dr Susan Gordon AM
Chairperson, Aboriginal Hostels Limited

Better Lives, Better Futures...

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Guide to the report

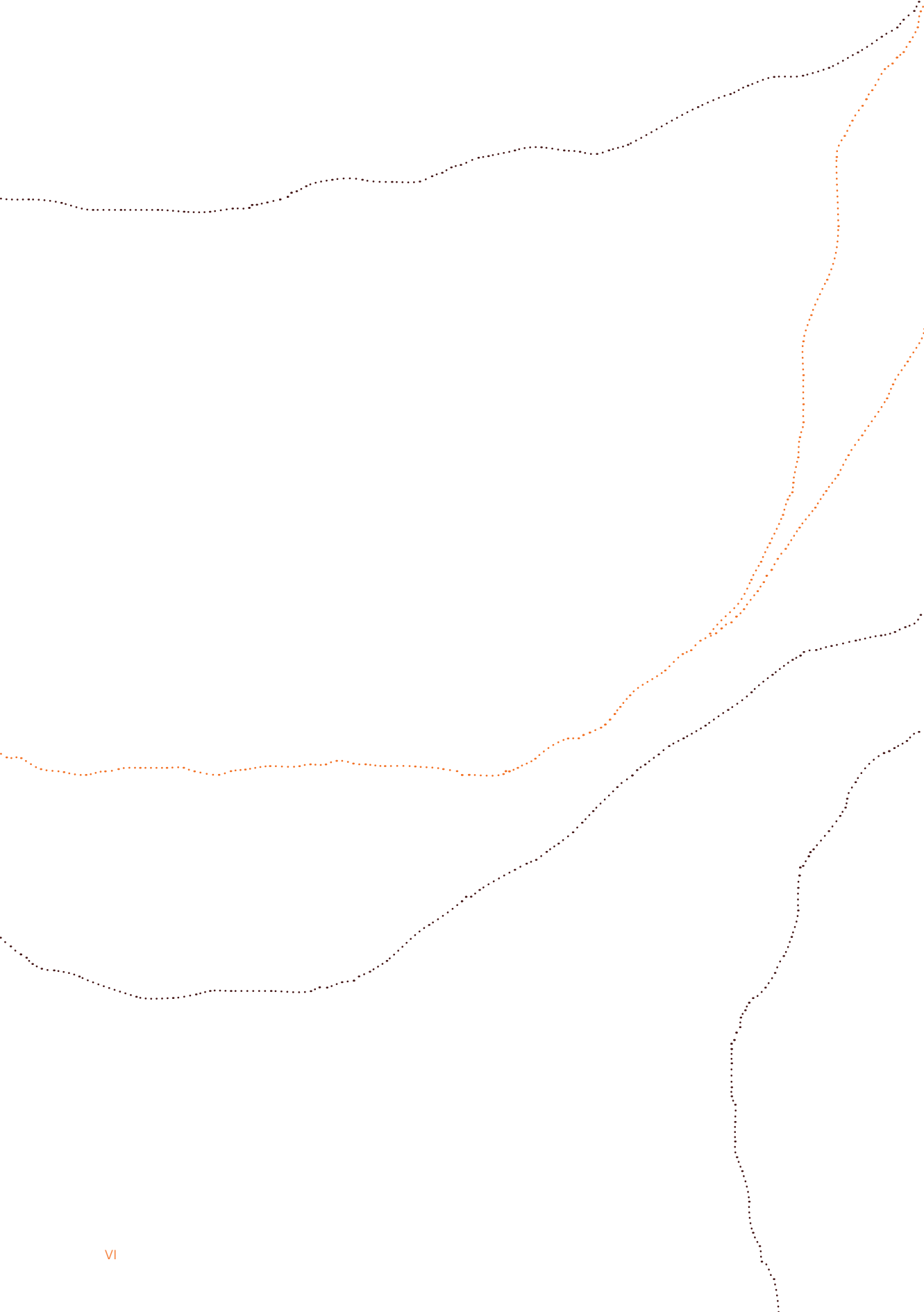
This Annual Report describes the management and performance of Aboriginal Hostels Limited (AHL) in the financial year from 1 July 2015 to 30 June 2016.

The report is in five parts:

1. **Overview** delivers messages from the Chairperson and the Chief Executive Officer, and describes AHL.
2. **Performance** outlines the planning and reporting framework and analyses AHL's performance against its strategic goals and Budget performance measures in 2015–16.
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 2015–16.
5. **References** provides a compliance index showing how the report addresses statutory requirements, and an alphabetical index.

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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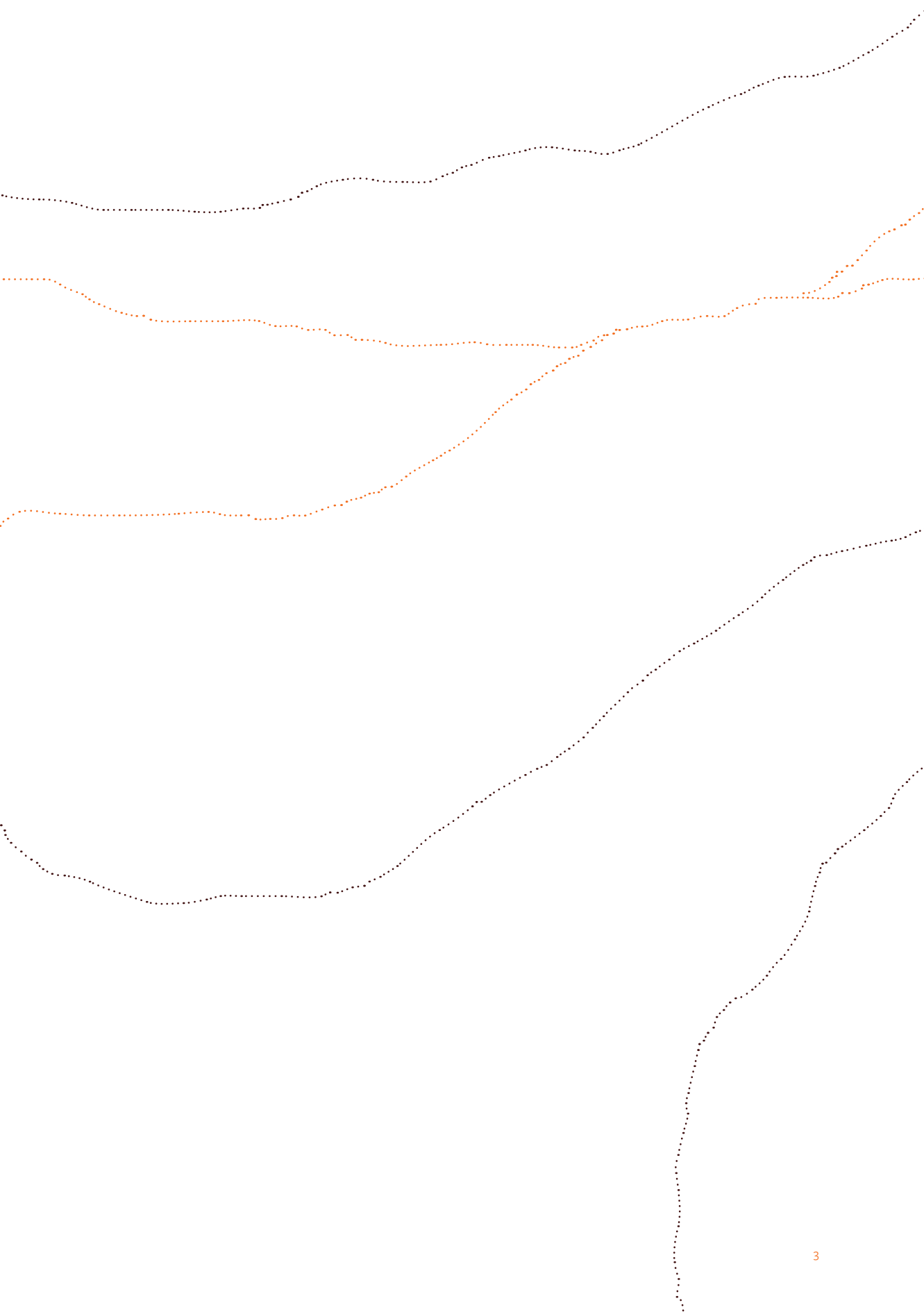
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Overview

Introduction

This Annual Report describes the management and performance of Aboriginal Hostels Limited (AHL) in the financial year from 1 July 2015 to 30 June 2016.

It addresses 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.

Message from the Chairperson

Since my appointment as Chairperson in September 2015 I have visited almost every hostel in AHL's network of 47 sites. Those visits are part of a commitment I made to Indigenous Affairs Minister Nigel Scullion, and to our Aboriginal and Torres Strait Islander residents, that I would personally ensure that AHL is providing the highest levels of comfort, safety and customer service that we can deliver.

A wide-ranging improvement program that puts residents first is now in train, and I continue to work closely with directors and the acting CEO to ensure we deliver rapid improvements across the network.

During the year we welcomed four new directors to the Board, each bringing a great deal of expertise and experience to AHL's governance structure from across the government, community and private sectors.

A major review of AHL, led by a steering committee comprising myself and senior officials from the Department of the Prime Minister and Cabinet and the Department of Finance, was undertaken as part of the government's Contestability Program, to identify the most efficient and effective way to deliver short-term accommodation services to meet the contemporary needs of Aboriginal and Torres Strait Islander people.

The review makes recommendations of a significant nature regarding AHL's future funding, its governance model and the management of its asset base going forward. AHL will work closely with government on securing AHL's future in line with recommendations made in the review.

I remain committed to ensuring we stay true to our core business of providing safe, comfortable and affordable accommodation to Aboriginal and Torres Strait Islander people who need a place to stay.

Dr Susan Gordon AM
Chairperson

Message from the Chief Executive Officer

This year, AHL increased the average utilisation of its short-term accommodation services, continued to see improvements in workplace health and safety, and achieved a positive operating result.

Working at the local level with Indigenous service providers and referral partners, AHL increased its annual bed occupancy to 68 per cent. In the education segment, those efforts resulted in 74 per cent of AHL's secondary students remaining in school from one term to the next.

Through sound financial management and prudent adjustments to our cost base against fixed revenue, AHL achieved a positive financial result.

Improvements to business systems mean that the company is now more efficient, transparent and compliant. AHL managed to maintain its workforce and protect front-line services despite significant financial pressures.

In 2016–17, AHL will strengthen its focus on front-line services to improve the experience and level of comfort for residents, including through improved customer service, meal service and general amenity.

To maintain the momentum of the increase in utilisation of AHL facilities, we will continue to focus on engagement strategies which leverage local stakeholder and referral partnerships.

.....
**AHL increased its
annual bed occupancy
to 68 per cent.**

We will continue to strengthen business systems and processes to drive greater efficiency, including through a planned approach to managing AHL's asset portfolio.

As my term as CEO ends, I would like to thank the management team, Board members and AHL's staff around the country, who inspire with their hard work and dedication.

Ms Joy Savage

Chief Executive Officer

Performance highlights in 2015–16

- AHL made 623,179 bed nights available in 2015–16, including 106,135 bed nights available in remote and very remote communities.
- Bed occupancy rates rose to 68 per cent, from 65 per cent in 2014–15.
- Room occupancy rates rose to 76 per cent, from 74 per cent in 2014–15.
- Significant gains were made in work health and safety outcomes.
- New models were implemented to improve the delivery and effectiveness of recruitment and training services.

623,179 bed nights available.

106,135 bed nights available in remote
and very remote communities.

68% bed occupancy rates.

76% room occupancy rates.

About AHL

AHL is a wholly owned Commonwealth company within the portfolio of the Prime Minister and Cabinet.

AHL is the leading national provider of short-term accommodation for Aboriginal and Torres Strait Islander people who need to live away from home to access education, employment, health and other services to improve their quality of life and social and economic circumstances.

What AHL does

AHL's **purpose** is to provide or facilitate safe, culturally appropriate and affordable accommodation for Aboriginal and Torres Strait Islander people who must live away from home to access services and economic opportunity.

Why AHL does it

AHL's **vision** is to improve the quality of life and economic opportunity for Aboriginal and Torres Strait Islander people.

AHL's **vision** is to improve the quality of life and economic opportunity for Aboriginal and Torres Strait Islander people.

Who AHL does it for

Residents—AHL provides accommodation for Aboriginal and Torres Strait Islander people who must live away from home to improve their quality of life and access services and economic opportunities. AHL actively seeks feedback from residents to ensure that AHL is delivering the services that are valued.

Partners—AHL maintains and actively develops purposeful partnerships with stakeholders that promote equity and access to services and coordinated and innovative service delivery for Aboriginal and Torres Strait Islander Australians, for the benefit of residents.

Community—AHL benefits the Australian community by making it easier for Aboriginal and Torres Strait Islander people to access health, education and employment services, and makes an important contribution to delivering Australian Government priorities.

How AHL does it

AHL operates:

- **health hostels** that provide safe accommodation for residents travelling from community to access specialist and allied medical health services in urban and regional centres
- **secondary and tertiary education and training hostels** that provide safe accommodation for young people to access educational and training services leading to job-related prospects
- **multipurpose hostels** that provide short-term accommodation to assist residents to access social and economic opportunities and services.

AHL's network of hostels operates in locations of greatest need, to help Aboriginal and Torres Strait Islander people access services in priority areas of education, training, employment, and health.

Service delivery network

At 30 June 2016, AHL had 47 hostels at locations around Australia, as shown in Figure 1.

Figure 1: Service delivery network at 30 June 2016



- National office
- Regional office

- A** Antenatal
- M** Medical
- MP** Multipurpose
- R** Renal
- SE** Secondary education
- TET** Tertiary education and training

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**

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**

Nagandji Nagandji-Ba Hostel **R**

Silas Roberts Hostel **MP**

Katherine

Corroboree Hostel **MP**

Fordimail Student Hostel **SE**

Katherine Women's Medical Hostel **A**

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**

Health hostels

AHL has 11 health hostels, collectively providing three types of accommodation:

- **health (general)**—accommodation for people who are accessing medical services and are not well enough to travel home
- **renal**—short-stay accommodation for people travelling from their home communities to access dialysis services
- **antenatal**—accommodation for mothers and babies before and after birth.

Education hostels

AHL has nine secondary education hostels across remote, regional and metropolitan locations.


In the remote locations, the model of care is closely aligned with a boarding facility approach. The hostels employ residential youth workers and provide mentoring and extra-curricular activity associated with developing life skills.

AHL's traditional model of care is based around a houseparent model, and is still operating in AHL's smaller group housing facilities for students. Most of these are in major regional and metropolitan areas.

AHL also has five tertiary education hostels, two in Queensland and three in New South Wales, which provide students with access to major universities and higher education facilities.

Multipurpose hostels

AHL's 22 multipurpose hostels provide short-term accommodation to cater for a range of resident activities, such as attending community and cultural events; accessing work and training; and seeking emergency accommodation.



AHL's 22 multipurpose hostels provide short-term accommodation to cater for a range of resident activities.

Tariffs

AHL charges tariffs for accommodation. The tariff schedule is reviewed annually according to two criteria:

- **customers' ability to pay**—the proportion of income that is considered reasonable, fair and affordable for customers to pay
- **cost of service**—the proportions of AHL costs that should be recouped through tariff revenue and government appropriation.

Offices

AHL's services are managed through its National Office and regional offices, and delivered by its network of hostels across Australia.

AHL's National Office enables functions that support AHL's operational business outcomes. There are three divisions in the National Office: Finance and Corporate Services; Operations; and Strategy, Innovation and People.

AHL's service delivery network is made up of 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.

The primary role of regional offices is the implementation of a consistent approach to service delivery within and through AHL's hostel network. Regional offices also play a significant role in strategic engagement with key stakeholders.

PART TWO

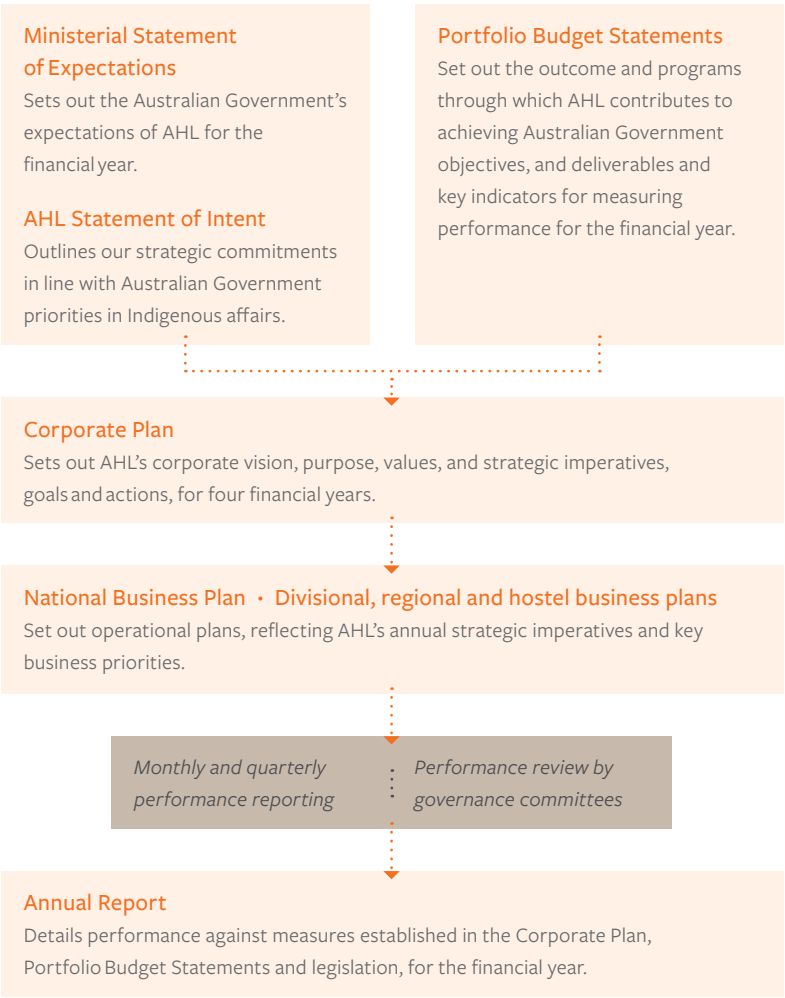
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Performance

Planning and reporting framework

AHL’s strategic planning and performance reporting framework helps to ensure that AHL is efficient and effective in meeting its objectives. In 2015–16, the central element of that framework was the Corporate Plan, as shown in Figure 2.

Figure 2: Elements of the planning and reporting approach in 2015–16



Strategic goals

The Corporate Plan 2015–2019 details how AHL’s four strategic imperatives—relevance, ongoing efficiency, operating sustainably and transformational change—translate into goals and actions to achieve AHL’s purpose.

The following sections provide information on AHL’s performance in achieving those imperatives and goals in 2015–16.

Strategic imperative: Relevance

Goal 1

To be a key provider of, and an adviser on, accommodation that supports the Australian Government’s efforts to overcome Aboriginal and Torres Strait Islander disadvantage.

In 2015–16, AHL offered a total of 623,179 bed nights of accommodation across its national network of hostels. Table 1 shows how the bed nights were distributed between service types, AHL regions, and localities.

Table 1: Distribution of bed nights available in 2015–16

Distribution category	Detail	Number
Type of accommodation	Health	95,469
	Multipurpose	421,575
	Secondary education	80,038
	Tertiary education and training	26,097
Location by region	Queensland	154,080
	South Eastern Australia	58,870
	Southern Central Australia	165,164
	Top End	157,340
	Western Australia	87,725
Location by remoteness	Regional	351,996
	Remote or very remote	106,135
	Urban	165,048
Total in each category		623,179

AHL's accommodation services make an important contribution to achieving the Australian Government's priorities 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 2015–16

Government priority	AHL activity
Ensuring that children go to school	<p>AHL provides urban, regional, remote and very remote residential accommodation for Aboriginal and Torres Strait Islander secondary education students.</p> <p>Secondary education hostels aim to provide a family-like atmosphere that is conducive to increasing student enrolments, attendance, retention and transition. AHL does this by providing a culturally safe and nurturing environment with fully equipped facilities, tailored support services and extracurricular activities.</p>
Increasing Aboriginal and Torres Strait Islander employment and economic and social participation	<p>AHL provides short-term accommodation to assist Aboriginal and Torres Strait Islander Australians to access employment and training services and opportunities away from home or community. AHL hostels for tertiary education and training support Aboriginal and Torres Strait Islander Australians to gain tertiary qualifications and improve their employment opportunities.</p> <p>With Aboriginal and Torres Strait Islander Australians making up 66 per cent of its workforce, AHL itself is a leading national employer of Aboriginal and Torres Strait Islander Australians and directly supports improved employment and economic participation.</p> <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 in which to live while pursuing employment opportunities that can improve their economic and social circumstances • provide a safe and affordable place to stay for people who are homeless, in unstable living arrangements or travelling, in an environment that is culturally respectful, inclusive and supportive.

Government priority	AHL activity
Making homes and communities healthy and safe	<p>AHL delivers safe, comfortable and culturally appropriate accommodation and assists residents to connect with local services, including a range of specialised health services.</p> <p>AHL ensures that Aboriginal and Torres Strait Islander students in its care are able to go to school in an environment that is free of negative or damaging behaviours and influences such as family violence or drug and alcohol misuse.</p> <p>AHL's referral networks help to ensure that residents are able to access the services and support they may need.</p>

To ensure that its service offering is aligned with the Australian Government's priorities and the needs of its residents, AHL collaborates with federal, state and territory government agencies and stakeholders through face-to-face meetings, forums and written submissions.

Some notable collaborative partnerships were developed in 2015–16, particularly in the priority areas of education, employment and health. AHL also made a submission to the House of Representatives Standing Committee on Indigenous Affairs inquiry into *Educational opportunities for Aboriginal and Torres Strait Islander students*.

Goal 2

To operate in locations of greatest need, in priority areas of education, training, employment and health.

AHL regularly reviews the occupancy levels of all its hostels to inform decisions about issues such as closing, upgrading or outsourcing services. The information also assists AHL to target stakeholder engagement strategies to lift occupancy levels.

To ensure that the highest priority services are delivered in the locations of greatest need, in 2015–16 AHL:

- renewed agreements with the Northern Territory Government and community organisations to provide dedicated beds in hostels in Alice Springs for people needing to access regional services such as health or employment services

- implemented agreements with state and local government agencies and community organisations to provide wrap-around services—such as health checks and assistance with accessing employment opportunities—to residents of the Tamworth Hostel
- formed a partnership arrangement with the Aboriginal Centre for Performing Arts in Brisbane, and converted two multipurpose hostels—Elley Bennett Hostel and Musgrave Park Hostel—into tertiary education and training hostels, in response to demand for accommodation for students attending the centre.

Strategic imperative: Ongoing efficiency

Goal 3

To increase utilisation and customer satisfaction.

In 2015–16, AHL made available 623,179 bed nights at 47 hostels, including 106,135 bed nights in remote and very remote communities (as shown in Table 1).

The national average rates of room and bed occupancy both increased in 2015–16, to 76 per cent and 68 per cent respectively (from 74 per cent and 65 per cent in 2014–15).

While the overall bed occupancy rate was below AHL's target of 70 per cent, the target was achieved during the last six months of the financial year.

Across the categories of hostel, demand remained strongest in health, at 76 per cent. The high level of demand in that category can be attributed to AHL's agreements with state and territory government health departments and their patient assisted travel schemes.

Strategies that were implemented in 2014–15 to increase occupancy rates in multipurpose hostels resulted in an increase in bed occupancy in that category to 66 per cent in 2015–16.

Goal 4

To deliver a consistent standard of accommodation services, by service type, across Australia.

The quality of AHL accommodation services is about the total experience of the resident—from the greeting they receive during the check-in process, to the comfort and safety of their stay. The customer journey that residents can expect under the AHL Customer Service Charter includes:

- culturally appropriate, comfortable, safe and affordable accommodation in a clean environment
- healthy home-cooked meals
- friendly, helpful staff
- a family environment away from home.

In 2015–16, the AHL Service Standards Framework was established to embed standards of service delivery, build confidence in AHL services, and ensure that residents' experiences are positive, safe and consistent across the hostel network.

The adoption of the framework marks a new phase in a broad, ongoing continuous improvement approach to AHL services, which is underpinned by:

- strategically tailoring AHL service delivery through targeted efficiencies
- operating according to benchmark standards
- working together across business areas to maintain and improve the quality of services for AHL customers.

Strategic imperative: Operating sustainably

Goal 5

To have sound financial management practices to operate within available resources.

In 2015–16, in addition to a direct operating surplus of \$3.869 million, AHL upheld a sound liquidity position to meet its claims and obligations.

A cash management and investment policy was approved by the Board. The policy ensures that an optimal level of cash (including cash-equivalent investments) is maintained to cover

working capital arrangements and future funding requirements for major capital projects that align with the achievement of AHL's strategic direction and operational objectives.

The Finance Committee met quarterly and provided independent assurance to the Board on operating and capital budgets, financial performance and tariff review.

The Business Integrity Unit provided assurance over the company's internal controls by evaluating and continuously improving their effectiveness and efficiency.

Goal 6

To sustainably manage and maintain the property portfolio of Commonwealth assets.

Major refurbishments undertaken in 2015–16 focused on AHL's secondary and tertiary education hostels. Biala Hostel and Elley Bennett Hostel underwent significant refurbishments which included replacing joinery and bedroom furniture, painting, modifying study areas, refreshing bathrooms and improving outdoor spaces.

Five of the nine secondary education hostels benefited from recent refurbishment works as part of AHL's major capital upgrades. Future refurbishment work has been scheduled for the remaining secondary education hostels.

AHL progressed the implementation of a comprehensive property maintenance program which will ensure that the property portfolio is managed according to a planned program of preventive maintenance over the life cycle of each asset.

AHL also continued the important work of ensuring that its hostels are safe, including by installing gas shut-off valves where necessary.

A program of works to ensure compliance with the relevant building codes (Australian and state or territory) at all hostels was planned in 2015–16 and will be undertaken in 2016–17.

Major refurbishments undertaken in 2015–16 focused on AHL's secondary and tertiary education hostels.

Strategic imperative: Transformational change

Goal 7

To more rapidly respond to challenges, trends and opportunities that support relevance, ongoing efficiency and operating sustainably.

Regular communication between AHL's National Office, regional offices and hostels enabled AHL to monitor occupancy levels and respond to evidence of low performance in 2015–16.

As part of a renewed focus on stakeholder engagement, AHL:

- developed and implemented stakeholder engagement templates, including running sheets to monitor progress and success
- identified community forums, workshops and events that AHL should attend or host.

Better informed decision-making was displayed at the local level through the introduction of regional and hostel-level performance reporting.

Goal 8

To significantly improve our workplace health and safety performance.

The third year of AHL's Which Way, Safe Way Work Health and Safety Strategy saw further significant improvements in work health and safety.

Initiatives in 2015–16 included:

- replacing hazardous chemicals with non-hazardous chemicals at hostels, and providing training on the use and storage of chemicals
- implementing national frameworks for:
 - critical incident management, to enable quick and appropriate responses to significant work health and safety incidents
 - rehabilitation management, to promote early intervention, enhance claims management processes and ensure ongoing legislative compliance
- investigating high incidences of unscheduled leave each month and instigating appropriate management plans.

Seven compensation claims were made in 2015–16, a significant decrease from 10 claims in 2014–15.

As a result of AHL's improved performance in work health and safety, Comcare reduced the company's workers compensation premium for 2016–17. AHL's premium has been reduced by a total of 4.25 per cent over the past two years.

Table 3 provides a summary of notifiable incidents, investigations and notices which occurred during the year, as required by the *Work Health and Safety Act 2011*.

Table 3: Work health and safety statistics in 2015–16

Action	Number
Deaths that required notice to Comcare under section 35	3 ^a
Serious injuries or illnesses that required notice to Comcare under section 35	4
Dangerous incidents that required notice to Comcare under section 35	2
Investigations conducted under Part 10	0
Notices given to Aboriginal Hostels Limited (AHL) under section 90 (provisional improvement notices)	0
Notices given to AHL under section 191 (improvement notices)	0
Notices given to AHL under section 195 (prohibition notices)	0
Directions given to AHL under section 198 (non-disturbance)	0

^a Residents who died of natural causes.

Budget outcomes

AHL measures its performance against Australian Government Budget outcomes, through quantitative measures set out in the Portfolio Budget Statements, as well as the company's annual financial performance.

Portfolio Budget Statements

Portfolio Budget Statements provide a framework for measuring performance against Australian Government budget outcomes.

AHL's performance in 2015–16 is measured against the outcomes, deliverables and key performance indicators set out in the Prime Minister and Cabinet Portfolio Budget Statements 2015–16.

Outcome and program structure

In 2015–16, AHL contributed to the 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 2015–16

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 programme delivery.
- 2: Indigenous**—Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programmes, 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 measures and results

Table 4 shows AHL’s performance against the deliverable and key performance indicator set out in the 2015–16 Portfolio Budget Statements.

Table 4: Results against portfolio performance measures in 2015–16

Measure	Target	Actual
Deliverable: Number of resident bed nights available for use per annum	624,683	623,179
Key performance indicator: Occupancy level as a percentage of resident bed nights available	70%	68%

Financial summary

This section provides an overview of AHL’s income and expenditure in 2015–16. The audited Financial Statements are provided in Part 4 of the Annual Report.

Income

In 2015–16, of AHL’s \$60.7 million operating income, 62 per cent came from the Australian Government, while 26.4 per cent was self-generated through the tariff collected from residents. The remaining income was funding from state and territory

governments to operate hostels on behalf of other agencies (7.7 per cent), interest earned from investments in term deposits and reversals of previous asset write-downs and impairments (0.9 per cent), and proceeds on the sale of property, plant and equipment (3 per cent).

Table 5 shows where AHL’s income came from in 2015–16. Table 6 includes information from the previous three reporting periods for comparison.

Table 5: Sources of operating income in 2015–16

Source	\$m	%
Australian Government funding ^a	37.6	62.0
State and territory government funding ^b	4.7	7.7
Hostel accommodation revenue	16.0	26.4
Gain on sale of property, plant and equipment	1.8	3.0
Interest and rent received	0.5	0.8
Reversals of previous asset write-downs and impairments	0.1	0.1
Total operating income	60.7	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, 2012–13 to 2015–16 (\$m)

Source	2012–13	2013–14	2014–15	2015–16
Australian Government—Appropriation	38.5	38.4	38.1	37.6
Australian Government—Other funding agreements	3.8	0.4	2.2	2.4
State and territory governments	2.3	2.1	2.2	2.3
Hostel accommodation revenue	12.8	13.6	13.8	16.0
Gain on sale of property, plant and equipment	3.5	0.4	0.4	1.8
Interest and rent received	0.3	0.4	0.4	0.5
Reversals of previous asset write-downs and impairments	0.0	0.0	0.1	0.1

AHL's self-generated tariff income has increased each year over the past four years as a result of improved occupancy and increases in tariff rates.

Expenditure

AHL's total operating expenditure for 2015–16 was \$56.8 million.

AHL's capital expenditure for 2015–16 was \$4.4 million. Of that, \$0.4 million was the remainder of \$5.1 million in special capital injections for

hostel upgrades, contributed by the Australian Government in 2013–14 and 2014–15. The balance of \$4 million was from internal income sources.

Tables 7 and 8 show where AHL's income was spent in 2015–16.

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

National and regional offices provide indirect support and are therefore not included.

Table 7: Operating expenditure by region in 2015–16

Region	\$m	%
Queensland	8.7	22
South Eastern Australia	4.8	12
Southern Central Australia	11.1	28
Top End	10.1	25
Western Australia	5.1	13
Total	39.8	100

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

Table 8: Capital expenditure by region in 2015–16

Region	\$m	%
Queensland	1.2	29
South Eastern Australia	0.5	11
Southern Central Australia	0.3	7
Top End	1.8	44
Western Australia	0.3	9
Total	4.1	100

Note: Excludes National Office expenditure, including IT upgrades.

PART THREE

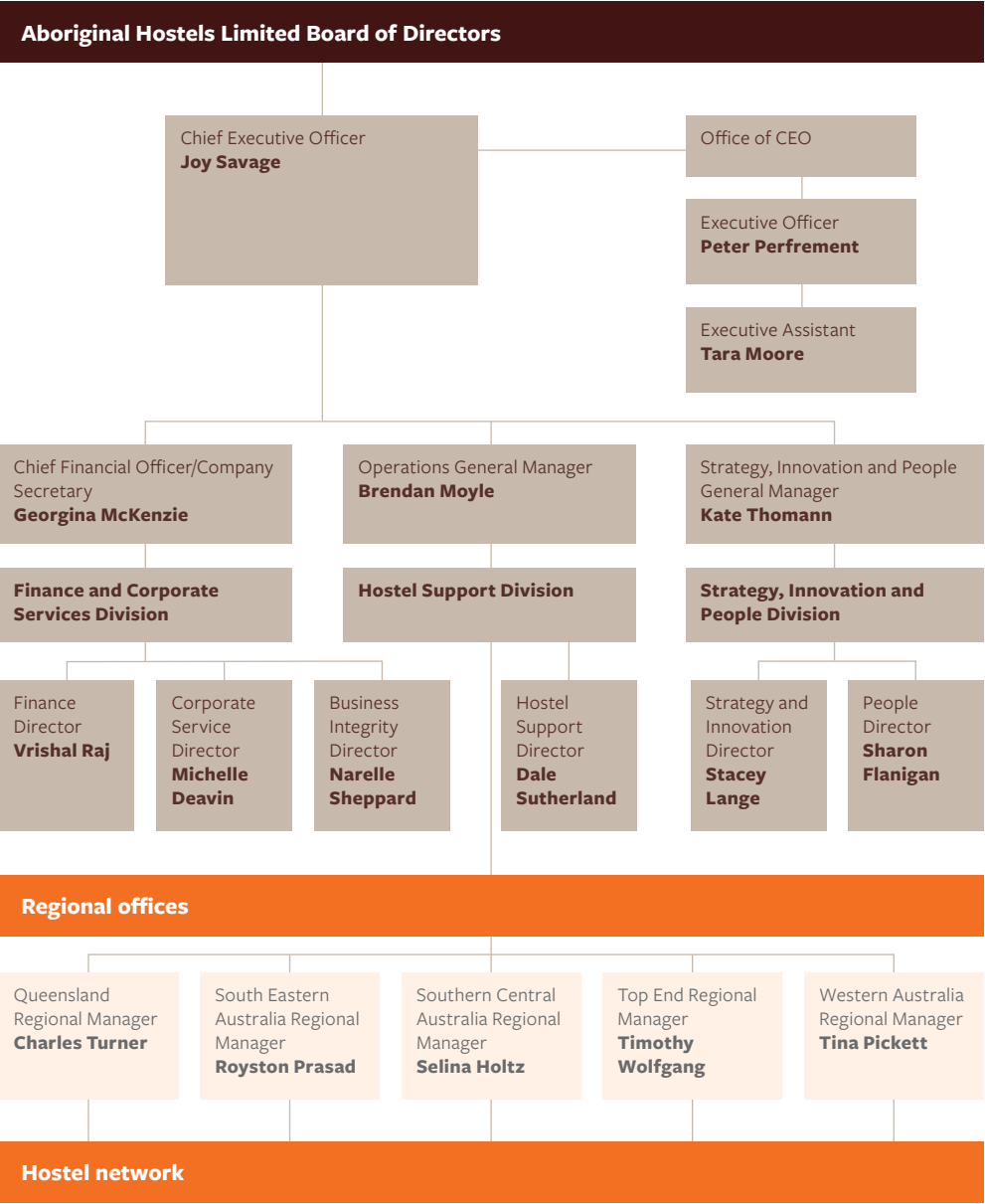
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Organisation

Structure

Figure 4 sets out the structure and leaders of AHL at 30 June 2016.

Figure 4: Organisational structure at 30 June 2016



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 the Constitution of AHL 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 for the maintenance of 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 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 a compliant Annual Report as per 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 are appropriate for the Board to fulfil its role. The Company Secretary is also responsible for ensuring compliance with board procedures and provides advice to the Board, via 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 2015-16, the Executive Management Team comprised the CEO, the Chief Financial Officer/Company Secretary, the General Manager Strategy, Innovation and People, and the General Manager Operations.

The team met weekly to discuss issues, including current and future challenges and the progress of national initiatives.

Governance

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

Legal framework

AHL is a wholly owned Commonwealth company within the portfolio of the Prime Minister and Cabinet. The minister responsible for AHL at 30 June 2016 was Senator the Honourable 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 2015–16.

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, while recognising that no cost-effective internal control system will preclude all errors and irregularities.

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

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

Risk management

AHL works to identify and manage risks appropriately, monitors and reviews risk information and strives for continuous improvement. Assurance is provided through the Audit and Risk Management Committee.

External scrutiny

There were no reports on AHL 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 2015–16.

There were no judicial decisions of administrative tribunals made during 2015–16 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

The AHL Board's Governance Charter includes a code of conduct which outlines expectations in relation to:

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

Each AHL director agrees to abide by this code.

AHL employees are bound by standards of ethical behaviour communicated in the Australian Public Service Values, Employment Principles and Code of Conduct. 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 core criteria:

- how agencies accord with and contribute to ecologically sustainable development

- the environmental performance of agencies—how their activities impact the natural environment, how the impact is mitigated and how it will be further mitigated.

Table 9 details AHL’s response to the criteria in 2015–16.

Table 9: Ecologically sustainable development activities in 2015–16

Reporting requirement	AHL response
How AHL accords with and contributes to the principles of ecologically sustainable development (ESD)	AHL is focusing on the identification of better practice in the sustainable management of energy, water and waste.
Outcomes contributing to ESD	<p>AHL’s planned outcome—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—focuses on economic and social outcomes.</p> <p>Although the outcome is not directly linked to environmental outcomes, AHL recognises that there are many opportunities for the company to build ESD principles into its business, thereby improving AHL’s environmental management across key operational areas.</p>
Activities that affect the environment	AHL’s core function—accommodation—consumes energy, water and material resources such as packaging, and contributes to landfill, pollution and greenhouse gas emissions. Energy is required to power AHL’s offices and hostels, including to provide hot water, heat for cooking, and air conditioning in some of Australia’s hottest regions.

Reporting requirement	AHL response
Measures taken to minimise the effect of activities on the environment	<p>AHL seeks to minimise the effect of its activities on the environment through:</p> <ul style="list-style-type: none"> • applying environmental principles in procurement, particularly through its routine asset replacement program • collecting data on its water and energy use • assessing the environmental performance of its activities. <p>AHL sources renewable energy and has solar panels installed in more than half of its hostels.</p> <p>AHL encourages staff to adopt environmentally sustainable waste management practices and educates residents to minimise energy use, manage waste, and follow recycling practices at AHL hostels.</p> <p>All of AHL's new offices, hostels and major refurbishment projects involve a strong focus on improving energy efficiency by replacing electrical equipment, including 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>AHL is developing metrics to measure, report on and review its carbon footprint and deliver environmental improvements in the corporate workplace and at hostels.</p> <p>AHL is evaluating the environmental performance of its hostels fitted with solar panels.</p> <p>AHL will collect more data on water and energy use as a basis for regular monitoring and consumption audits.</p> <p>In 2015–16, AHL conducted a full review of its entire network to identify the best and worst energy-performing hostels. The results will enable AHL to identify further initiatives to reduce the company's energy consumption and carbon footprint.</p> <p>AHL will undertake further work to understand its waste profile, to increase re-use and recycling rates and to minimise hazardous and landfill waste.</p>

People

AHL staff are integral to AHL's success in 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 different knowledge, skills, backgrounds and perspectives that people bring to their work.

Staff profile

AHL had 274 full-time and 235 part-time staff (a total of 509 staff) at 30 June 2016. As Table 10 shows, the staffing profile included strong representation of Aboriginal and Torres Strait Islander staff (66 per cent) and women (63 per cent).

Table 10: Staff numbers at 30 June 2016

Level	Female	Male	Full-time	Part-time	Ongoing	Non-ongoing	Indigenous ^a	Non-Indigenous	Total
Agency Head	1	0	1	0	1	0	1	0	1
SES 1	2	1	3	0	3	0	2	1	3
EL2	6	1	7	0	5	2	2	5	7
EL1	11	12	22	1	16	7	15	8	23
APS 6	15	15	28	2	19	11	9	21	30
APS 5	14	3	16	1	12	5	9	8	17
APS4	18	8	23	3	11	15	13	13	26
APS 3	47	29	64	12	49	27	54	22	76
APS 2	17	8	15	10	14	11	21	4	25
APS 1	191	110	95	206	84	217	211	90	301
Total	322	187	274	235	214	295	337	172	509
% of Total	63	37	54	46	42	58	66	34	100

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

a Refers to Aboriginal and Torres Strait Islander people.

Recruitment and retention

AHL completed 300 recruitment activities in 2015–16, including the engagement of 166 Aboriginal and Torres Strait Islander employees. This high level of activity reflects the degree to which AHL needed to recruit and retain non-ongoing and casual employees to ensure the continuity of business services.

A new recruitment model was implemented, to more consistently deliver recruitment services and assist business areas to recruit the staff they need, and recruitment procedures and documents were simplified and updated.

AHL also improved the quality and accessibility of the workforce data and analysis that underpin the company's workforce planning and recruitment and retention strategies.

Learning and development

In 2015–16, AHL commenced a centralised approach to more effectively deliver training relevant to business needs, high-quality training advice and delivery, and the best value for money for the programs provided.

A national calendar of training activities targeting Australian Public Service best practice, cultural competency and induction was implemented.

Cultural competency

To enhance professional development opportunities for Aboriginal and Torres Strait Islander staff during 2015–16:

- AHL supported participants in the Indigenous Australian Government Development Programme
- funded by a grant from the New South Wales Government, a mental health first aid course tailored for Aboriginal and Torres Strait Islander employees was delivered to staff at hostels in the South Eastern Australia region
- AHL and the Department of Finance signed an agreement to provide opportunities for Aboriginal and Torres Strait Islander staff to undertake short-term secondments between the two agencies.

Under the Jawun program, a non-Aboriginal and Torres Strait Islander AHL employee was seconded to the Gumatj Corporation's Mining Training Centre in Northeast Arnhem Land, to assist in developing administrative procedures while gaining understanding of the Aboriginal and Torres Strait Islander communities that AHL serves.

Performance management

At 30 June 2016, 95 per cent of AHL staff had performance agreements in place.

A national framework, along with training and tools, was implemented during the year to enable supervisors to better manage inappropriate behaviours in the workplace.

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Financial report

Directors' Report

The Board of Directors presents its report on Aboriginal Hostels Limited (AHL) for the financial year ended 30 June 2016.

Corporate information

AHL is a company wholly owned by the Australian Government and is limited by guarantee. The registered office of the company is 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 2015-16 was the operation of hostels for Aboriginal and Torres Strait Islander Australians.

The objective of the company is to provide or facilitate 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 to the company 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 2015-16 was a surplus of \$3.869 million (the result in 2014-15 was an operating surplus of \$0.326 million), which was transferred to retained earnings.

Review of operations

A review of AHL's operations is contained in the message from the Chairperson and the CEO and in other sections of the Annual Report.

Financial position

The net assets of the company increased by \$3.869 million in 2015-16 and were valued at \$150.212 million at 30 June 2016. The increase was mainly due to income from hostel customers and the sale of properties, offset by decreases in assets held for sale; a net increase in employee provisions, and other payables; and liabilities and trade debtors.

Additionally, the equity accounts increased by \$3.869 million, from \$146.343 million in 2014–15 to \$150.212 million in 2015–16. This is mainly due to the operating surplus of \$3.869 million. Of the \$3.869 million, \$1.887 million was from gain on the sale of properties, \$0.390 million was operating surplus from hostels operated on behalf of third parties, and the remainder was from savings on a number of items.

Significant activities or changes in state of affairs

Finalised in May 2016, the AHL review (conducted by Bendelta) sought to identify the most efficient and effective way to deliver short-term accommodation services to meet the contemporary needs of Aboriginal and Torres Strait Islander Australians. In doing so, it examined AHL's governance model, financial sustainability and strategic direction.

AHL's Chairperson, as a member of the tripartite review steering committee, advised acceptance of the final review report in May 2016. However, further consideration of the final report by the government and by AHL was paused during the caretaker period ahead of the July 2016 federal election.

The review's findings and recommendations present significant challenges and opportunities for the company, particularly in relation to:

- a decline in real funding
- the future governance model and company structure
- AHL's vision and mandate.

These issues will form the basis of further discussion with the government later in 2016.

No significant activities or changes affected the operations or structures of AHL during 2015–16.

Significant events subsequent to reporting date

In July 2016, the Board appointed Mr Tony Usher as acting CEO for a period of six months (to January 2017), following the departure of Ms Joy Savage (after a period of long service leave). The Board continues to work towards appointing a suitably qualified CEO for a five-year term by early 2017.

Board of Directors

At 30 June 2016, the AHL Board had seven members. During 2015–16, the terms of five directors expired; two of those directors were reappointed and five new directors, including a new Chairperson, were appointed.

An induction program is initiated for all new directors on their appointment. The program includes relevant information on

AHL business, directors' governance responsibilities and obligations, and applicable declarations. An annual board performance survey is undertaken, and directors can elect to access a range of development programs appropriate to their roles.

The names and details of the directors and the Company Secretary in 2015–16 are as follows.

Dr Susan Gordon AM

Non-executive Chairperson

Appointed
11 September 2015

Qualifications

Bachelor of Laws

Experience

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. She 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. She sits on other boards around Australia and 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
 - the award for Senior Woman Lawyer of the Year, awarded by Women Lawyers of Western Australia, in 2014.
-

**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 New South Wales, 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.

**Prof. Mary Ann
Bin-Sallik**

**Non-executive
director**

Appointed
2 March 2016

Qualifications

Doctorate of Education (Harvard)

Experience

Prof. Bin-Sallik, a member of the Djaru Nation, is recognised internationally as a pioneer for 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, Prof. Ben-Sallik was named NAIDOC Female Elder of the Year.

**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.

Ms Vanessa Elliott

Non-executive director

Appointed
20 November 2010

Qualifications

Graduate Certificate of Business; Bachelor of Arts, Communications and Cultural Studies; Advanced Certificate in Aboriginal Musical Theatre

Experience

Ms Elliott is committed to intergenerational change, diversity and inclusion. She is Manager of the Western Australian Government Regional Services Reform Unit providing executive support to the Kimberley Strategic Regional Advisory Council as well as the portfolios of education and social and economic development, and is a member of Healthway's Arts Advisory Committee.

Ms Elliott spent a decade within the resources industry and was the Senior Advisor of Human Resources and Corporate Affairs with Woodside Energy, the External Affairs Manager of Newmont Asia Pacific and the Chair of Australian Indigenous Women in Mining.

In 2001, Ms Elliott received the National NAIDOC Youth of the Year Award and the Telstra Young Business Women's Award. She received the Centenary Medal for her services in business leadership in 2014.

Mr David Evans

Non-executive director

Appointed
24 June 2013

Qualifications

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 Limited 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.

**Mr Wayne
Jackson PSM**

**Non-executive
director**

Appointed
27 February 2009
Term ended
8 January 2016

Qualifications

Bachelor of Economics (Hons)

Experience

Mr Jackson is Chair of the Ethics Committee, Australian Institute of Health and Welfare. He was previously a public policy consultant.

He is a former Deputy Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and has extensive experience in the development and implementation of social policy, including income support and community services social policy.

Mr Jackson chaired the FaHCSIA Risk Assessment and Audit Committee, was a member of the Australian Statistics Advisory Council and the Bureau of the Organisation for Economic Co-operation and Development Social Policy Committee, and has been a government representative on a number of independent policy review bodies.

In 2006, he was awarded the Public Service Medal for outstanding service in the development and implementation of social policy.

**Ms Kerryne
Liddle**

**Non-executive
director**

Appointed
20 November 2010
Resigned
4 May 2016

Qualifications

Master of Business Administration; Bachelor of Arts (double major in management and business); Diploma, Australian Institute of Company Directors; Fellow, Vincent Fairfax Ethics in Leadership Program

Experience

Ms Liddle was born and raised in Central Australia by her parents, who are Arrernte, but now lives in Adelaide.

Ms Liddle worked almost exclusively in the private sector as a media and communications specialist before her most recent role as Manager Aboriginal Participation, Santos Ltd. She has experience on government and not-for-profit boards, predominantly in the areas of affordable housing and education.

Ms Liddle has been a non-executive director of the South Australian Housing Trust and the South Australian Affordable Housing Trust. She has been a member of the University of South Australia Council and is currently a member of the Council of the University of Adelaide.

Ms Liddle has also been Chair of the Tandanya National Aboriginal Cultural Institute and was an inaugural member of the Aboriginal Foundation South Australia, set up to benefit native title holders in South Australia through the exploration of economic development opportunities.

In 2001, Ms Liddle was awarded the Centenary Medal for her services to the Australian community, particularly as a journalist.

Ms Rachelle Towart

Non-executive director

Appointed
2 March 2016

Qualifications

Advanced Diploma of Leadership and Management, Certificate of Business, Certificate IV in Business (Governance)

Experience

Ms Towart, a proud Wonnarura woman, has extensive experience of national leadership and organisational governance.

In her previous role, as CEO of the Australian Indigenous Leadership Centre, Ms Towart transformed the centre into a national leader in Indigenous education. She also established Australia's first education pathway for Indigenous leaders, Australia's largest alumni group, and award-winning programs tailored to Aboriginal and Torres Strait Islander people.

Mr Pat Watson

Non-executive director

Appointed
28 January 2009
Term ended
8 January 2016

Experience

Mr Watson is a career public servant. He was the Executive Director, Township Leasing, for FaHCSIA, in which role he was responsible for managing long-term township leases in Aboriginal communities in the Northern Territory. He spent time as the Group Manager of Corporate Services in the Aboriginal and Torres Strait Islander Commission and Aboriginal and Torres Strait Islander Services.

He was also Chief Financial Officer for the Department of Education, Employment and Training; served overseas as the Deputy Permanent Delegate to the United Nations Educational, Scientific and Cultural Organization and the Organisation for Economic Co-operation and Development; and was Counsellor, Education, to France.

Ms Georgina McKenzie

Company Secretary

Appointed
6 February 2012

Ms McKenzie held the positions of Chief Financial Officer and Company Secretary in 2015–16.

Ms McKenzie is a graduate of the Australian Institute of Company Directors and a member of the Institute of Chartered Accountants Australian and New Zealand. She holds a Master of Business Administration and is a board member and Treasurer of SIDS and Kids ACT.

Board committees

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

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 on significant financial matters to the Board
- 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 the key performance indicators.

Directors' meetings

During 2015–16, the Board met four times, the Audit and Risk Management Committee met four times, and the Finance Committee met four times.

In addition to the four board meetings, the Board met once out of session to discuss specific agenda items.

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

Table 11: Attendance at board and subcommittee meetings in 2015–16

Board				
Member	29/07/2015	07/10/2015	02/12/2015	12/05/2016
Dr Susan Gordon (Chairperson)	NA	✓	✓	✓
Mr Mike Allen	NA	NA	NA	✓
Prof. Mary Ann Bin-Sallik	NA	NA	NA	✓
Ms Denise Bowden	NA	NA	NA	✓
Ms Vanessa Elliott	✓	x	✓	✓
Mr David Evans	✓	✓	✓	✓
Mr Wayne Jackson	✓	✓	✓	NA
Ms Kerryne Liddle	✓	✓	✓	NA
Ms Rachelle Towart	NA	NA	NA	✓
Mr Pat Watson	✓	✓	✓	NA
Audit and Risk Management Committee				
Member	22/06/2015	13/11/2015	09/02/2016	05/05/2016
Mr David Evans	✓	✓	✓	✓
Mr Geoff Knuckey (Independent)	✓	✓	✓	✓
Ms Maria Storti (Independent)	✓	✓	✓	✓
Mr Pat Watson	✓	✓	NA	NA
Finance Committee				
Member	08/09/2015	25/11/2015	10/02/2016	26/04/2016
Mr David Evans	NA	NA	NA	✓
Mr Wayne Jackson	✓	✓	NA	NA
Ms Kerryne Liddle	✓	✓	✓	✓

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 2015–16, and the relevant remuneration bands, are shown in Table 12.

Table 12: Remuneration of directors and executives in 2015–16

Category	Remuneration band	Number of individuals
Directors	\$0–\$29,999	8
	\$30,000–\$59,999	3
	\$60,000–\$89,999	1
Total	\$272,764^a	12^b
Senior executives	\$0–\$159,999	3
	\$175,000–\$204,999	2
	\$205,000–\$234,999	0
	\$235,000–\$264,999	0
	\$325,000–\$354,999	1
Total	\$942,605^a	6^c

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

b Included in the total number of directors are five whose terms finished in 2015–16. Two of the former directors were reappointed and five new directors were appointed in 2015–16.

c Included in the total number of senior executives are two who did not occupy senior executive positions for the full financial year—one who acted in a vacant position temporarily and one who resigned in January 2016. AHL had only four senior executive positions at any time during 2015–16.

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 2015–16.

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 thousand dollars.

Auditor's independence

The directors received an Independence Declaration from the Auditor-General for the year ended 30 June 2016. 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.

Financial Statements



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

ABORIGINAL HOSTELS LIMITED FINANCIAL REPORT 2015–16 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Aboriginal Hostels Limited for the year ended 30 June 2016, 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

Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
23 September 2016

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777



INDEPENDENT AUDITOR'S REPORT

To the members of Aboriginal Hostels Limited

I have audited the accompanying financial report of Aboriginal Hostels Limited, which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, Notes to the Financial Statement and the Directors' Declaration.

Opinion

In my opinion, the financial report of Aboriginal Hostels Limited 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 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the

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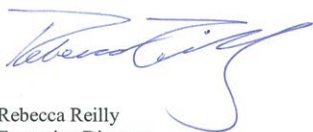
accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Australian National Audit Office



Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
23 September 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

				Original
	Note	2016 \$'000	2015 \$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	30,212	29,095	28,238
Hostel accommodation expenses	1B	3,922	3,305	3,384
Administration expenses	1C	8,950	10,466	9,115
Property operating expenses	1D	9,083	8,194	10,782
Depreciation and amortisation	1E	3,885	4,248	4,508
Grants to community operated hostels		-	1,033	-
Write-down and impairment of assets and bad debts	1F	774	431	188
Finance costs		53	66	75
Total expenses		56,879	56,838	56,290
Own-Source Income				
Own-source revenue				
Other operational funding received	2A	4,714	4,401	2,766
Hostel accommodation revenue	2B	15,965	13,834	15,320
Interest	2C	435	388	579
Other revenue	2D	32	40	43
Total own-source revenue		21,146	18,663	18,708
Gains				
Gains from sale of assets	3	1,887	341	-
Reversal of write-downs and impairment	3	133	116	-
Total gains		2,020	457	-
Total own-source income		23,166	19,120	18,708
Net (cost of)/contribution by services		(33,713)	(37,718)	(37,582)
Revenue from Commonwealth Government				
Grant received from portfolio department	4	37,582	38,044	37,582
Total revenue from Commonwealth Government		37,582	38,044	37,582
Surplus/(Deficit) on continuing operations		3,869	326	-
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Revaluation of land		-	650	-
Revaluation of buildings		-	(1,214)	-
Revaluation of art and artefacts		-	156	-
Impairment - Land		-	7	-
Impairment - Buildings		-	(1,293)	-
Total other comprehensive income		-	(1,694)	-
Transfers between equity components				
Realisation of revaluation reserve – Land		(3,037)	(1,335)	-
Realisation of revaluation reserve – Building		(541)	(1,167)	-
Retained earnings		3,578	2,502	-
Total transfers between equity components		-	-	-
Total other comprehensive income		3,869	(1,368)	-

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

Notes to the financial statements

for the period ended 30 June 2016

Budget variances commentary – Statement of comprehensive income

Hostel accommodation expenses	At the time of preparing the PBS, the contract to operate the Apmere Mwerre Visitors Park (AMVP) in Alice Springs had not been signed and therefore not budgeted. Since finalisation of the PBS the contract was signed and AHL operated the AMVP during 2015-16. As a result additional hostel accommodation expenses were incurred.
Property operating expenses	During 2015-16 AHL has focused on completion of the major capital upgrades of nine hostels funds for which were provided through capital injection. As a result of this focused effort, there was a reduction in the repairs and maintenance spend throughout the rest of the hostel network.
Depreciation and amortisation	During the 2014-15 financial year, AHL revalued its buildings which has led to a decrease in depreciation expenses. AHL also componentised its building assets (grouping of assets into five broad categories) which has resulted in lower depreciation expenses. At the time of preparing the PBS, both events were not known and could not be reliably estimated.
Write-down and impairment of assets and bad debts	At the time of preparing the PBS, it was not known that AHL would have a write-down of assets in 2015-16 and could not be reliably estimated.
Other operational funding received	This item includes operational funding for AMVP in Alice Springs from NT Government. At the time of preparing the PBS, it was not known whether AHL would operate the AMVP and therefore was not budgeted. However, AHL operated the AMVP during 2015-16 and as a result additional revenue was received from NT Government. This item also includes operational funding for Kardu Darrikardu Numida from PM&C. At the time of preparing the PBS, the funding negotiation between AHL and PM&C was not finalised and the final negotiated funding was higher than the budget.
Interest	The actual interest rate for term deposits has been lower than budgeted due to the continuous decline of the cash rate by the Reserve Bank in 2015-16 which was not anticipated in the PBS.
Gains from sale of assets	This item relates to the gain on sale related to the divestment of two properties in 2015-16. At the time of preparing the PBS, the gains were not known and could not be reliably estimated.
Reversal of write-downs and impairment	This item relates to the reversal of write-downs and impairment related to the divestment of two properties. At the time of preparing the PBS, the gains were not known and could not be reliably estimated.
Realisation of revaluation reserve and Retained earnings	This variance relates to the realisation of the revaluation reserve for the two divested properties. At the time of preparing the PBS, these values were not known and could not be reliably estimated.

Statement of Financial Position

as at 30 June 2016

	Note	2016 \$'000	2015 \$'000	Original Budget \$'000
ASSETS				
CURRENT ASSETS				
Financial assets				
Cash and cash equivalents	5A	21,367	18,570	17,926
Term deposits	5B	7,000	-	-
Trade and other receivables	6A	502	1,080	608
Other financial assets	7	298	207	123
Total financial assets		29,167	19,857	18,657
Non-financial assets				
Assets held for sale	8	-	4,017	-
Total current assets		29,167	23,874	18,657
NON CURRENT ASSETS				
Non-financial assets				
Land	9A	38,570	38,570	39,780
Buildings	9A	87,525	87,261	93,596
Art and artefacts	9A	1,484	1,511	1,343
Plant and equipment	9A	1,500	1,589	4,507
Computer software	9A	118	214	201
Total non-financial assets		129,197	129,145	139,427
Total non current assets		129,197	129,145	139,427
Total assets		158,364	153,019	158,084
LIABILITIES				
CURRENT LIABILITIES				
Payables				
Trade payables	10	1,557	1,156	2,432
Lease incentive payable	11	43	43	-
Other payables	12	1,437	845	1,076
Total payables		3,037	2,044	3,508
Provisions				
Employee provisions	15	2,229	1,861	1,386
Total current liabilities		5,266	3,905	4,894
NON CURRENT LIABILITIES				
Operating lease payable				
Minimum lease payables	13	454	383	414
Unearned lease incentive payable	11	423	466	608
Total operating lease payable		877	849	1,022
Provisions				
Employee provisions	15	2,009	1,922	1,383
Total provisions		2,009	1,922	1,383
Total non current liabilities		2,886	2,771	2,405
Total liabilities		8,152	6,676	7,299
Net assets		150,212	146,343	150,785
EQUITY				
Contributed equity		94,243	94,243	94,243
Reserves		56,165	59,743	64,557
Retained surplus/(Accumulated deficit)		(196)	(7,643)	(8,015)
Total equity		150,212	146,343	150,785

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

Notes to the financial statements

for the period ended 30 June 2016

Budget variance commentary - Statement of financial position

Cash, cash equivalents and term deposits	This variance relates mainly to the proceeds from the divestment of two properties in 2015-16. At the time of preparing the PBS, these proceeds were not known and could not be reliably estimated.
Trade and other receivables	This variance is due to significant work that was undertaken in 2015-16 to reduce the debtors balance.
Other financial assets	This variance relates mainly to an increase in prepayment of expenses as at 30th June 2016.
Art and artefacts	This variance relates mainly to the revaluation of art and artefacts in 2014-15. At the time of preparing the PBS, these values were not known and could not be reliably estimated.
Plant and equipment	This variance relates mainly to the componentisation of asset exercise where a number items of plant and equipment were reclassified into Buildings in 2015-16. At the time of preparing the PBS, the re-categorisation of plant and equipment assets were not known and could not be reliably estimated.
Computer software	This variance relates mainly to the write-off of software work-in-progress in 2015-16. At the time of preparing the PBS, the write-off of software work-in-progress was not known and could not be reliably estimated.
Trade Payables	This variance represents earlier than budgeted settlement of creditor accounts.
Unearned lease incentive payable	This variance relates to an estimated larger unearned lease incentive payable that was originally budgeted in the PBS.
Other payables	This variance relates mainly to unpaid employee remuneration as at 30th June 2016 which was estimated to be lower in the PBS.
Employee provisions	The increase in employee provisions is mainly attributable to the increase in the discount factor which was not known at the time of preparation of the PBS.
Reserves	This variance relates to the realisation of the revaluation reserve for the two divested properties and revaluation of AHL properties. At the time of preparing the PBS, these values were not known and could not be reliably estimated.
Retained surplus/(Accumulated deficit)	The variance relates to transfer from revaluation due to realisation of two properties. At the time of preparing the PBS, this transfer was not known and could not be reliably estimated.

Statement of Changes in Equity

for the period ended 30 June 2016

	2016	2015	Original Budget
	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	94,243	92,999	94,243
Transactions with owners			
Contributions by owners			
Departmental capital budget	-	1,244	-
Total transactions with owners	-	1,244	-
Closing balance as at 30 June	94,243	94,243	94,243
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(7,643)	(10,471)	(8,015)
Comprehensive income			
Surplus/(Deficit) for the period	3,869	326	-
Other comprehensive income	-	-	-
Total comprehensive income	3,869	326	-
Transfers between equity components	3,578	2,502	-
Closing balance as at 30 June	(196)	(7,643)	(8,015)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	59,743	63,939	64,557
Comprehensive income			
Other comprehensive income	-	(1,694)	-
Total comprehensive income	-	(1,694)	-
Transfers between equity components	(3,578)	(2,502)	-
Closing balance as at 30 June	56,165	59,743	64,557
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	146,343	146,467	150,785
Comprehensive income			
Surplus/(Deficit) for the period	3,869	326	(1,460)
Other comprehensive income	-	(1,694)	-
Total comprehensive income	3,869	(1,368)	(1,460)
Contributions by owners			
Departmental capital budget	-	1,244	-
Total transactions with owners	-	1,244	-
Transfers between equity components	-	-	-
Closing balance as at 30 June	150,212	146,343	149,325

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

Notes to the financial statements
for the period ended 30 June 2016

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.

Budgetary variance commentary – Statement of changes in equity

Transfers between equity components	This item relates to the transfer of the asset revaluation reserve to the accumulated deficit balance due to the divestment of the two properties. At the time of preparing the PBS, this transfer was not known and could not be reliably estimated.
-------------------------------------	---

Cash Flow Statement

for the period ended 30 June 2016

	Note	2016 \$'000	2015 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Receipts from Commonwealth Government		39,982	40,273	39,230
Receipts from State and Territory Governments		2,545	2,172	1,118
Receipts from hostel accommodation customers		16,198	13,495	15,362
Interest		659	142	579
Net GST received		1,225	1,960	-
Other		622	935	113
Total cash received		61,231	58,977	56,402
Cash used				
Employees		30,028	24,014	30,385
Suppliers		22,732	30,612	22,067
Grants to community hostels		-	1,033	-
Total cash used		52,760	55,659	52,452
Net cash from/(used by) operating activities	14	8,471	3,318	3,950
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		6,037	3,497	-
Total cash received		6,037	3,497	-
Cash used				
Payment for property, plant and equipment		4,586	7,421	4,480
Payment for intangibles		125	114	44
Term deposits		7,000	-	-
Total cash used		11,711	7,535	4,524
Net cash from/(used by) investing activities		(5,674)	(4,038)	(4,524)
FINANCING ACTIVITIES				
Cash received				
Departmental capital budget		-	1,244	-
Total cash received		-	1,244	-
Net cash from/(used by) financing activities		-	1,244	-
Net increase/(decrease) in cash held		2,797	524	(574)
Cash and cash equivalents at the beginning of the reporting period		18,570	18,046	18,500
Cash and cash equivalents at the end of the reporting period	5	21,367	18,570	17,926

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

Notes to the financial statements

for the period ended 30 June 2016

Budgetary variance commentary – Cash flow statement

Other operational funding received	This item includes operational funding for AMVP in Alice Springs from NT Government. At the time of preparing the PBS, it was not known whether AHL would operate the AMVP and therefore was not budgeted. However, AHL operated the AMVP during 2015-16 and as a result additional revenue was received from NT Government. This item also includes operational funding for Kardu Darrikardu Numida from PM&C. At the time of preparing the PBS, the funding negotiation between AHL and PM&C was not finalised and the final negotiated funding was higher than the budget.
Interest	AHL has received interest from term deposits where interest revenue was recognised in 2014-15. At the time of preparing the PBS, this was not known and could not be reliably estimated.
Net GST received	At the time of preparing the PBS, net GST received from the Australian Taxation Office was estimated to be zero.
Proceeds from sales of property, plant and equipment	This variance relates to the proceeds on sale related to the divestment of two properties. At the time of preparing the PBS, the gains were not known and could not be reliably estimated.
Payment for intangibles	The variance relates to expenditure incurred for payroll software which was later written off.
Term Deposits	This variance relates to the term deposits that AHL has invested in as at 30 June 2016. At the time of preparing the PBS, the investment of term deposits as at 30 June 2016 was not anticipated and could not be reliably estimated.

Notes to the financial statements

for the period ended 30 June 2016

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, 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.

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 2015-16 are consistent with those of the previous financial year.

Reporting period

AHL's reporting period commenced 1 July 2015 and ended 30 June 2016 and the comparative figures include the prior 12 months period from 1 July 2014 to 30 June 2015.

New Accounting Standards

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

There were no amending standards were issued prior to the signing of the statement by the accountable authority, were applicable to the current reporting period and had not accounted a material effect on the entity's financial statements.

Notes to the financial statements

for the period ended 30 June 2016

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 2016

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Notes to the financial statements

for the period ended 30 June 2016

Financial performance

This section analyses the financial performance of AHL for the year ended 30 June 2016.

Expenses	Note	2016 \$'000	2015 \$'000
Note 1A: Employee benefits			
Wages and salaries		22,882	21,795
Annual leave		1,690	1,810
Long service leave		556	308
Other leave		990	1,062
Superannuation - Defined benefits		1,062	1,082
Superannuation - Defined Contribution		2,858	2,689
Termination benefits		174	349
Total employee benefits		30,212	29,095

Accounting Policy

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

Note 1B: Hostel accommodation expenses

Food and beverages	3,257	2,676
Cleaning and hygiene	660	626
Medical sundries	5	3
Total hostel accommodation expenses	3,922	3,305

Note 1C: Administration expenses

Consultants and contractors	1,774	1,713
Travel and accommodation	1,536	1,666
Training and recruitment	572	418
Information technology and communications	1,237	1,196
Insurance	231	235
Directors' fees	271	330
Audit fees	117	112
Workers compensation expenses	2,025	3,488
Other	1,187	1,308
Total administration expenses	8,950	10,466

Notes to the financial statements

for the period ended 30 June 2016

Note 1D: Property operating expenses

	2016 \$'000	2015 \$'000
Operating lease expense:		
- Minimum lease payments	1,025	1,129
- Contingent lease payments	129	129
Total operating lease expense	1,154	1,258
Repairs and maintenance	4,078	3,350
Minor furnishings	282	256
Fuel and power	1,900	1,785
Rates	729	801
Other	940	744
Total property operating expenses	9,083	8,194

Commitments for minimum lease payments in relation to non-cancellable

Within 1 year	892	1,064
Between 1 to 5 years	3,116	3,232
More than 5 years	4,329	5,082
Total operating lease commitments	8,337	9,378

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
Queensland – office space	31/08/2016	\$96,655.00	5% fixed on anniversary
South Eastern Australia – office space	30/11/2016	\$112,565.00	4% fixed on anniversary
Southern Central Australia – office space	30/11/2016	\$42,565.00	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	\$61,695.00	Flat rate

Notes to the financial statements

for the period ended 30 June 2016

Accounting policy (continued - leasing)

AHL holds operating leases for its motor vehicle fleet which are primarily used as official pool cars for its hostels and Regional offices. 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). 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 2016 AHL holds operating leases for 49 utilities or passenger cars and 6 passenger transport buses.

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	2016	2015
		\$'000	\$'000
Depreciation:			
Buildings		3,071	3,485
Plant and equipment		590	486
Art and artefacts		15	14
Total depreciation		3,676	3,985
Amortisation:			
Leasehold improvements		161	176
Intangibles		48	87
Total amortisation		209	263
Total depreciation and amortisation		3,885	4,248

Note 1F: Write-down and impairment of assets and bad debts

Write-down and impairment of assets

Building	96	257
Plant and equipment	192	17
Art and artefacts	12	37
Intangibles	173	-
Total write-down and impairment of assets	473	311
Bad debts write off and provision for bad debts	301	120
Total write-down and impairment of assets and bad debts	774	431

Notes to the financial statements

for the period ended 30 June 2016

Accounting Policy

Accounting policies for depreciation expenses are contained in Note 9A: 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.

Note 2A: Other operational funding received¹

Funding for operation of hostels managed by AHL on behalf of other agencies

Department of Prime Minister and Cabinet (PM&C)

Wadeye Secondary Education Boarding Facility

Northern Territory Department of Housing

Akangkentye Hostel

Apmere Mwerre Visitor Park

Northern Territory Department of Health

Alyerre Hostel

Total Funding for operation of hostels managed by AHL on behalf of other agencies

2016	2015
\$'000	\$'000
2,400	2,229
613	613
1,196	1,067
505	492
4,714	4,401

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

Note 2B: Hostel accommodation revenue

Tariff collected

Other revenue

Total hostel accommodation revenue

15,831	13,545
134	289
15,965	13,834

Notes to the financial statements

for the period ended 30 June 2016

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 2016

	2016	2015
	\$'000	\$'000
Note 2C: Interest income		
Interest income	435	388
Total interest income	435	388

Note 2D: Other income		
Rent received	32	38
Donations received	-	2
Total other income	32	40

Note 3: Gains		
Gain on sale of property, plant and equipment ¹	1,887	341
Reversal of write-downs and impairment	133	116
Total gains	2,020	457

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	37,582	38,044
Total Grant received from Commonwealth Government	37,582	38,044

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 2016

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 5A: Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank	21,199	18,403
Donation account	168	167
Total cash and cash equivalent	21,367	18,570

Note 5B: Term deposits

Term deposits	7,000	-
Total cash equivalents and term deposits	28,367	18,570

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 6A: Trade and other receivables

Trade receivables	183	857
Less: Provision for impairment	(75)	(70)
Total trade receivables	108	787
GST receivable	117	-
Other receivables	277	293
Total other receivable	394	293
Total trade and other receivables	502	1,080

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 expected to be recovered no more than 12 months.

Notes to the financial statements

for the period ended 30 June 2016

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

Note 6B: Movement in relation to 2016	2016
	\$'000
As at 1 July 2015	(70)
Amount written off	296
Increase/(Decrease) recognised in net cost of service	(301)
Closing balance provision for impairment as at 30 June 2016	(75)
Note 6B: Movement in relation to 2015	2015
	\$'000
As at 1 July 2014	(124)
Amount written off	120
Increase/(Decrease) recognised in net cost of service	(66)
Closing balance of provision for impairment as at 30 June 2015	(70)

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 2016

Note 6C: Trade and other receivables (gross) aged as follows

The following table details AHL's trade and other receivables exposed to creditor risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the 'debt has not been settled within the terms and conditions agreed between the company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the receivables and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

		Gross amount \$'000	Past due and impaired \$'000	Within initial trade terms 30 days \$'000	31-60 days \$'000	61-90 days \$'000	>90 days \$'000
2016							
Trade receivables	6A	183	75	39	30	21	18
Other receivables		394	-	394	-	-	-
Total	6A	577	75	433	30	21	18
2015							
Trade receivables	6A	857	70	164	182	124	317
Other receivables		293	-	293	-	-	-
Total	6A	1,150	70	457	182	124	317

AHL does not hold any financial assets which would otherwise have been impaired had terms not been recognised.

Note 7: Other current assets

Prepayments	298	207
Total other current assets	298	207

Note 8: Assets held for sale

Assets held for sale ¹	-	4,017
Total assets held for sale	-	4,017

¹ Gu-Dgodah Hostel and Jane Arnold Hostel were held for sale as at 30 June 2015. Gu-Dgodah Hostel was impaired by \$440k and Jane Arnold Hostel was revalued by \$150k immediately before transfer to assets held for sale in 2014-15 and these hostels were sold in 2015-16 financial year.

Notes to the financial statements

for the period ended 30 June 2016

Note 9A: Schedule of property, plant and equipment and	Note	2016	2015
intangible assets		\$'000	\$'000
Land and buildings			
Land at fair value		38,570	38,570
Total land		38,570	38,570
Buildings at fair value		89,526	84,883
Add: Work in progress at historic cost		3	1,247
Less: Accumulated depreciation		(3,211)	(143)
Total buildings		86,318	85,987
Leasehold improvements at historic cost		2,098	2,004
Less: Accumulated depreciation		(891)	(730)
Total leasehold improvements		1,207	1,274
Total land and buildings		126,095	125,831
Plant and equipment ¹			
Plant and equipment at historic cost		2,903	2,494
Less: Accumulated depreciation		(1,403)	(905)
Total plant and equipment		1,500	1,589
Art and artefacts			
Art and artefacts at fair value		1,499	1,511
Less: Accumulated depreciation		(15)	-
Total art and artefacts		1,484	1,511
Software			
Software at historic cost		510	460
Add: Work in progress at historic cost		-	98
Less: Accumulated depreciation		(392)	(344)
Total software		118	214
Total property, plant and equipment		129,197	129,145

¹ An accounting policy change in 2014-15 resulted in Plant and Equipment with a purpose of a 'fixture and fitting to a building' to be reclassified to a sub-asset category within Buildings. This reclassification was performed to more accurately reflect the Plant and Equipment held within buildings as a fixture and fitting. The following items were reclassified:

- Plant and Equipment - Gross Value of \$6.4m (2014-15) into Building - Gross Value.
- Plant and Equipment - Accumulated Depreciation of \$3.1m (2014-15) into Building Accumulated - Depreciation.

Notes to the financial statements

for the period ended 30 June 2016

Note 9B: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2016

	Buildings			Total Land and Buildings		Software			Total Computer Software	
	Land	Buildings	Work In Progress	Leasehold Improvements	Buildings	Plant and Equipment	Art and Artefacts	Work in progress	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2015										
Closing gross book value	38,570	84,883	1,247	2,004	126,704	2,494	1,511	98	460	558
Closing accumulated depreciation	-	(143)	-	(730)	(873)	(905)	-	-	(344)	(344)
Closing net book value at 30 June 2015	38,570	84,740	1,247	1,274	125,831	1,589	1,511	98	116	214
Additions:										
By acquisition	-	-	4,335	-	4,335	-	-	75	-	75
Capitalised from work in progress	-	4,742	(5,579)	94	(743)	693	-	-	50	50
Disposal of assets	-	(96)	-	-	(96)	(192)	(12)	(173)	-	(173)
Depreciation expense	-	(3,071)	-	(161)	(3,232)	(590)	(15)	-	(48)	(48)
Closing net book value at 30 June 2016	38,570	86,315	3	1,207	126,095	1,500	1,484	-	118	118
Net book value as at 30 June 2016 represented by										
Closing gross book value	38,570	89,526	3	2,098	130,197	2,903	1,499	-	510	510
Closing accumulated depreciation	-	(3,211)	-	(891)	(4,102)	(1,403)	(15)	-	(392)	(392)
Closing net book value at 30 June 2016	38,570	86,315	3	1,207	126,095	1,500	1,484	-	118	118

Notes to the financial statements for the period ended 30 June 2016

Note 9C: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2015

	Buildings		Leasehold and improvements		Total Land and Buildings		Plant and Equipment			Software			Total Computer Software	
	Land \$'000	Buildings \$'000	Buildings Progress \$'000	Leasehold and improvements \$'000	Buildings \$'000	Buildings and Buildings \$'000	Plant and Equipment \$'000	Artifacts \$'000	Work in progress \$'000	Software \$'000	Work in progress \$'000	Software \$'000	Computer Software \$'000	Total \$'000
As at 30 June 2014														
Opening gross book value	42,620	94,551	816	1,944	139,931	1,650	1,404	17	427				444	143,429
Opening accumulated depreciation	-	(7,276)	-	(680)	(7,956)	(632)	(28)	-	(257)				(257)	(8,873)
Opening net book value at 30 June 2014	42,620	87,275	816	1,264	131,975	1,018	1,376	17	170				187	134,556
Additions:														
By acquisition	-	624	5,674	194	6,492	936	6	81	33				114	7,548
Capitalised work in progress	-	4,518	(5,243)	-	(725)	725	-	-	-				-	-
Disposal of assets	-	(24)	-	(8)	(32)	(17)	(13)	-	-				-	(62)
Assets reclassifications – accounting policy change ¹	-	347	-	-	347	(347)	-	-	-				-	-
Transfers between asset categories ²	(4,707)	(2,008)	-	-	(6,715)	(240)	-	-	-				-	(6,955)
Asset revaluation reserve ³	650	(1,214)	-	-	(564)	-	156	-	-				(408)	(408)
Impairment of assets ⁴	7	(1,293)	-	-	(1,286)	-	-	-	-				-	(1,286)
Depreciation expense	-	(3,485)	-	(176)	(3,661)	(486)	(14)	-	(87)				(87)	(4,248)
Closing net book value at 30 June 2015	38,570	84,740	1,247	1,274	125,831	1,589	1,511	98	116				214	129,145
Net book value as at 30 June 2015 represented by														
Closing gross book value	38,570	84,883	1,247	2,004	126,704	2,494	1,511	98	460				558	131,267
Closing accumulated depreciation	-	(143)	-	(730)	(873)	(905)	-	-	(344)				(344)	(2,122)
Closing net book value at 30 June 2015	38,570	84,740	1,247	1,274	125,831	1,589	1,511	98	116				214	129,145

¹ AHL changed its accounting policy to include plant and equipment that are integral parts of hostel buildings in the assets class of buildings to better reflect the nature of the asset. Per AASB 101 the reclassification need to be applied retrospectively. As a result of this, gross value Plant and equipment, accumulated depreciation accounting a net book value of \$347k was reclassified in to building in 2014-15. In 2013-14 \$4.6m Plant and equipment was reclassified to building.

² Transferred to assets held for sale during the year.

³ AHL engaged an independent valuer to revalue its Land and Building & Artifacts in 2014-15 and these revaluations were accounted in the financials using the net method.

⁴ During the year hostels identified for sale under the divestment program were remeasured to reflect the lower net book value or fair value less costs to sell prior to being transferred to an asset held for sale.

Notes to the financial statements

for the period ended 30 June 2016

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.

Notes to the financial statements

for the period ended 30 June 2016

Accounting policy (continued) - Property, plant and equipment

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.

AHL reviews its leasehold makegood liabilities with respect to each leasehold improvement agreement. For 2015-16, 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	2016	2015
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 are 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 9A.

Notes to the financial statements

for the period ended 30 June 2016

Accounting policy (continued) Property, plant and equipment

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.

Planned hostel upgrades

AHL received approval to spend \$6.1m (\$4.9m in 2013-14 and \$1.2m in 2014-15) in capital New Policy Proposal (NPP) funding to undertake planned hostel upgrades for nine hostels in Northern Australia in 2013-14 and 2014-15. Seven of these upgrades were completed in 2014-15, with the remaining two completed in 2015-16.

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.

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.

Notes to the financial statements

for the period ended 30 June 2016

Note	2016 \$'000	2015 \$'000
Note 10: Trade payables		
Trade payables		
Trade payables	1,557	1,156
Total trade payables	1,557	1,156
Suppliers expected to be settled		
No more than 12 months	1,557	1,156
Total trade payables	1,557	1,156
Note 11: Unearned lease incentive payable		
Unearned lease incentive payable	466	509
Total Unearned lease incentive payable	466	509
Unearned lease incentive payable expected to be settled		
No more than 12 months	43	43
More than 12 months	423	466
Total Unearned lease incentive payable	466	509
Note 12: Other payables		
Employee payables	1,353	749
Revenue received in advance	84	96
Total other payables	1,437	845
Other payable expected to be settled		
No more than 12 months	1,437	845
Total Unearned lease incentive payable	1,437	845
Note 13: Minimum lease payables		
Minimum lease payables	454	383
Total minimum lease payables	454	383

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.

Credit terms for goods and services were within 30 days (2015: 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.

Notes to the financial statements

for the period ended 30 June 2016

Accounting policy (continued)

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 14: Cash flow reconciliation	Note	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement			
Cash flow statement		21,367	18,570
Statement of financial position	5	21,367	18,570
Discrepancy		-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities			
Net(cost of)/contribution by services		(33,713)	(37,718)
Revenue from Government		37,582	38,044
Adjustments for non-cash items			
Depreciation/amortisation		3,885	4,248
Net write down and impairment of non-financial assets		473	427
Reversal of write-downs and impairment		(133)	(116)
Bad debts		301	120
Gain on disposal of assets		(1,887)	(341)
Movement in assets and liabilities			
Assets			
(Increase)/Decrease in net receivables		578	(142)
Decrease in prepayments		(91)	(84)
Liabilities			
(Decrease) in unearned lease incentive payable		(43)	(44)
Increase/(Decrease) in employee provisions		455	(408)
Increase/(Decrease) in suppliers payables		401	(583)
Increase/(Decrease) in other payables		663	(85)
Net cash from/(used by) operating activities		8,471	3,318

Notes to the financial statements

for the period ended 30 June 2016

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	2016 \$'000	2015 \$'000
Note 15A: Provision for employee benefits			
Provision for annual leave		1,817	1,636
Provision for long service leave		2,421	2,147
Total employee benefits		4,238	3,783
Employee benefits expected to be settled			
No more than 12 months		2,229	1,861
More than 12 months		2,009	1,922
Total employee benefits		4,238	3,783

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.

Notes to the financial statements

for the period ended 30 June 2016

Accounting policy (continued) – Employee benefits.

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.

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 AHL has estimated its 10 year salary growth as 2% for employee provision discounting.

Note 15B: Names of directors and key management personnel in office at any time during the financial year are:

Directors

Dr Susan Gordon	Chairperson and Non-Executive Term started September 15
Ms Vanessa M Elliott	Non-Executive
Mr David A Evans	Non-Executive
Mr Michael Allen	Non-Executive - Term started March 16
Prof Mary Ann Bin-Sallik	Non-Executive - Term started March 16
Ms Denise C Bowden	Non-Executive - Term started March 16
Ms Rachelle Towart	Non-Executive - Term started March 16
Mr Kevin J Smith	Non-Executive - Former chairperson term finished September 15
Mr Patrick Watson	Non-Executive - Term finished January 16
Mr Wayne Jackson	Non-Executive - Term finished January 16
Ms Kerryne Liddle	Non-Executive - Term finished May 16
Ms Gina M Smith	Non-Executive - Term finished June 16

Key management personnel

Ms Joy Savage	Chief Executive Officer
Ms Georgina McKenzie	Chief Financial Officer / Company Secretary
Mr Brendon Moyle	General Manager Operations - commenced October 15
Ms Kate Thomann	General Manager Strategy Innovation and People - commenced April 16
Ms Katrina Fanning	General Manager Strategy Innovation and People - ceased January 16
Ms Dale Sutherland	Acting General Manager Operations from 27 June 2015 to 25 October 2015

Notes to the financial statements

for the period ended 30 June 2016

Note 15C: Directors' remuneration

Year	Short-term benefits	Post-employment benefits	Total
	Directors' Fees	Superannuation contributions	
	\$	\$	\$
2016	248,197	23,367	271,564
2015	301,565	28,959	330,524

Note 15D: Related party disclosures

There are no related party disclosure transactions for 2015-16 (nil in 2014-15).

Note 15E: Key management personnel remuneration

	2016 \$	2015 \$
Short-term employee benefits		
Salary	672,080	738,229
Motor vehicle and other allowances	59,134	74,142
Total short-term employee benefits	731,214	812,371
Post-employment benefits		
Superannuation	110,945	141,010
Total post-employment benefits	110,945	141,010
Other long-term employee benefits		
Annual leave	62,675	54,410
Long-service leave	33,699	30,294
Total other long-term employee benefits	96,374	84,704
Termination benefits		
Eligible termination benefits	-	104,547
Total termination benefits	-	104,547
Total senior executive remuneration expenses	938,533	1,142,632

The total number of senior management positions that are included in Note 15E is 6. This includes one senior executive member who acted for four months period.

Note 16: Resources received and provided free of charge

In 2015-16 AHL had the use of five hostel properties which they received and operated free of charge (five in 2014-15). AHL did not provide any resources for free of charge in 2015-16. The value of the benefits received free of charge during 2015-16 as in prior years, have not been estimated by AHL as these services would not have been purchased if not provided free of charge.

Notes to the financial statements

for the year ended 30 June 2016

Note 17: 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 18: Contingent assets and liabilities

At 30 June 2016, AHL had no quantifiable or less than remote contingent assets or liabilities (nil in 2014-15).

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 19: Auditors' remuneration

Amounts paid or payable to:

Australian National Audit Office

Audit of AHL's annual financial statements¹

Total auditors' remuneration

	2016	2015
	\$'000	\$'000
	112	117
	112	117

¹ No other services were provided by the Australian National Audit Office in 2015-2016 or 2014-2015.

Note 20: Financial instruments

AHL's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

20A: Categories of financial instruments

Financial assets

Loans and receivables

Cash and cash equivalents

Term deposits

Total cash, cash equivalents and term deposits

Trade and other receivables

Total financial assets

Financial liabilities

Trade and other payables

Total financial liabilities

5A	21,367	18,570	
5B	7,000	-	
	28,367	18,570	
6A	385	1,080	
	28,752	19,650	
10	1,557	1,156	
	1,557	1,156	

Notes to the financial statements

for the period ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Note 20: Financial instrument (continued)			
20B: Net gains on financial assets			
Interest revenue	2C	435	388
Total net gains on financial assets		435	388

Accounting Policy

Financial assets

AHL classifies its financial assets in the categories of financial assets measured at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Assets in this category are classified as current assets.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Financial risk management policies

The AHL Executive team work closely with their staff to track and monitor financial performance against financial targets and manage financial risks. Risk management policies are approved and reviewed by the Executive team on a regular basis. These include credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks AHL is exposed to through its financial instruments are credit risk and liquidity risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks may arise, or the Board of Directors' objectives, policies and processes for managing or measuring the risks, from the previous period.

Notes to the financial statements

for the period ended 30 June 2016

20C: Fair Value of financial Instruments

	Note	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Carrying amount 2015 \$'000	Fair value 2015 \$'000
Financial assets					
Loans and receivables					
Cash and cash equivalents	5A	21,367	21,367	18,570	18,570
Term deposits	5B	7,000	7,000	0	-
Total cash, cash equivalents and term deposits		28,367	28,367	18,570	18,570
Trade and other receivables	6A	385	385	1,080	1,080
Total financial assets		28,752	28,752	19,650	19,650
Financial liabilities					
Trade and other payables	10	1,557	1,557	1,156	1,156
Total financial liabilities		1,557	1,557	1,156	1,156

Note 20D: Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial deficit for AHL.

AHL does not have any material credit risk exposures as its major source of revenue is funding from Commonwealth, State and Territory Governments.

Note 20D: Credit quality of financial assets not past due or individually determined as impaired

		Not past due nor impaired 2016 \$'000	Not past due nor impaired 2015 \$'000	Past due or impaired 2016 \$'000	Past due or impaired 2015 \$'000
Cash and cash equivalents	5A	21,367	18,570	-	-
Term deposits	5B	7,000	-	-	-
Total cash, cash equivalents and term deposits		28,367	18,570		
Trade receivables	6A	108	787	75	70
Other receivables		277	293	-	-
Total financial assets		28,752	19,650	75	70

Notes to the financial statements

for the period ended 30 June 2016

Note 20: Financial instrument (continued) - Credit quality

Note 20D.a: Ageing of financial assets that were past due but not impaired in 2016

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	39	30	21	18	108
Total	39	30	21	18	108

Note 20D.b: Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	164	182	124	317	787
Total	164	182	124	317	787

AHL has impaired \$75,000 of its trade debtors. This impairment is based on the recoverability of significantly aged accounts and likelihood of recovery.

Note 20E: Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the following table to settle financial liabilities reflects the earliest contractual settlement dates.

Notes to the financial statements

for the period ended 30 June 2016

Note 20: Financial instrument (continued) - Liquidity risk

Note 20E: Liquidity risk

Note	Within 1 Year		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial liabilities due for payment				
Trade and other payables (excluding unearned revenue)	10	1,557	1,156	1,557
Total expected outflows		1,557	1,156	1,557
Financial assets - cash flow realisable				
Cash and equivalents	5A	21,367	18,570	21,367
Term deposits	5B	7,000	-	7,000
Total cash, cash equivalents and term deposits		28,367	18,570	28,367
Trade and other receivables	6A	385	1,083	385
Total anticipated inflows		28,752	19,653	28,752
Net inflows on financial instruments		27,195	18,497	27,195

Note 20F: Market risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. AHL is exposed to interest rate risk primarily from bank deposit and interest earned on operation account.

A fifty basis point change is deemed to be reasonably possible and is used when reporting interest rate risk.

The method used to arrive at the possible risk of basis points was based on both statistical and non-statistical analysis. The statistical analysis has been based on the cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

Notes to the financial statements

for the period ended 30 June 2016

Note 20: Financial instrument (continued) - Market risk

Note 20F.1: Sensitivity analysis of the risk that the entity is exposed to for 2016

	Risk Variable Basis point	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	-	0.00%	-	-
Currency risk	-	0.00%	-	-
Interest rate risk	50bp	5.00%	22	-
Interest rate risk	50bp	(5.00%)	(22)	-
Other price risk	-	0.00%	-	-
Other price risk	-	0.00%	-	-

Note 20F.2: Sensitivity analysis of the risk that the entity is exposed to for 2015

	Risk Variable Basis point	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	-	0.00%	-	-
Currency risk	-	0.00%	-	-
Interest rate risk	50bp	5.00%	19	-
Interest rate risk	50bp	(5.00%)	(19)	-
Other price risk	-	0.00%	-	-
Other price risk	-	0.00%	-	-

Note 21: 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.

Notes to the financial statements

for the period ended 30 June 2016

Note 21: Fair value measurement (continued)

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).

Accounting Policy

AHL engaged the service of an independent valuer to conduct a detailed external valuation of all non-financial assets at 30 June 2016 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 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 2016

Note 21: Fair value (continued)

Note 21A: Fair value measurements, valuation techniques and inputs used

	Fair value measurements			Valuation technique(s) and inputs used
	2016	2015	Category (Level 1, 2 or 3)	
	\$'000	\$'000		
Financial assets				
Cash and cash equivalents	21,367	18,570	Level 1	
Term deposits	7,000	-	Level 1	
Trade and other receivables	502	1,080	Level 1	
Other financial assets	298	207	Level 1	
Non-financial assets				
Land	36,820	36,820	Level 2	Market approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving land and building assets were considered.
Land	1,750	1,750	Level 3	Market approach: This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by market transactions
Buildings	3,561	3,700	Level 2	Market approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving land and building were considered.
Buildings	945	950	Level 3	Market approach: This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by market transactions involving land and building were considered.

Notes to the financial statements for the period ended 30 June 2016

Note 21: Fair value (continued)

Note 21A: Fair value measurements, valuation techniques and inputs used (continued)

	Fair value measurements		Valuation technique(s) and inputs used
	2016	2015 Category (Level 1, 2 or 3)	
	\$'000	\$'000	
Buildings	2,936	3,050	Income approach: This approach seeks to estimate the fair value of an asset with reference to market rental transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by rental market transactions involving land and building were considered.
Buildings	78,163	76,604	Depreciated replacement cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined on the remaining life of the asset.
Leasehold improvements	1,207	1,274	Depreciated replacement cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence have been determined based on the term of the associated lease.
Art and artefacts	1,484	1,511	Market approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving art and artifacts assets were considered.
Total fair value measurements of assets in the statement of financial position	156,033	147,531	
Assets not measured at fair value in the statement of financial position			
Land and building held for sale	-	4,017	Market approach: This approach seeks to estimate the fair value of an asset with reference to market transactions involving assets with varying degrees of comparability. Inputs: Professional judgement and available information generated by market transaction involving and cost to sell land and building assets were considered.

Notes to the financial statements

for the period ended 30 June 2016

Note 21: Fair value (continued)

Note 21A: Fair value measurements, valuation techniques and inputs used (continued)

	Fair value measurements			Valuation technique(s) and inputs used
	2016	2015	Category (Level 1, 2 or 3)	
	\$'000	\$'000		
Building other	710	435	Level 1	
Plant and equipment	1,500	1,589	Level 1	
Intangible	118	214	Level 1	
Buildings work in progress	3	1,247	Level 1	
Financial liabilities				
Trade payables	1,557	1,156	Level 1	
Other payables	1,437	845	Level 1	
Unearned lease incentive payables	43	43	Level 1	
Non financial liabilities				
Unearned lease incentive payables	423	466	Level 1	
Non-financial liabilities not measured at fair value in the statement of financial position				
Employee provisions	4,238	3,783	Level 3	
Minimum lease rentals payables	454	383	Level 3	

1. AHL did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2016.

2. There were no changes in valuation technique from the previous reporting period.

3. Fair value measurements - highest and best use differs from current use for non-financial assets (NFA's) AHL's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all NFAs is considered their highest and best use.

4. The remaining assets and liabilities reported by AHL are not measured at fair value in the Statement of Financial Position.

Notes to the financial statements

for the period ended 30 June 2016

Note 21: Fair value measurement

Note 21B: Recurring level 3 fair value measurements - reconciliation for assets

	Non-Financial assets							
	Land		Buildings		Leasehold Improvements		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
As at 1 July	1,750	1,750	80,605	79,096	1,274	1,264	83,629	88,810
Total gains/(losses) recognised in Net surplus / (deficit) ¹	-	-	(2,752)	(2,183)	(161)	(163)	(2,913)	(1,646)
Total gains/(losses) recognised in other comprehensive income and net cost of service ¹	-	-	-	(1,469)	-	-	-	(1,469)
Purchases	-	-	4,257	4,313	94	194	4,351	4,507
Disposals	-	-	(66)	(436)	-	(21)	(66)	(3,207)
Reclassifications	-	-	-	1,769	-	-	-	1,769
Transfers into Level 3 ²	-	-	-	1,915	-	-	-	5,176
Transfers out of Level 3 ³	-	-	-	(2,400)	-	-	-	(8,800)
Total as at 30 June	1,750	1,750	82,044	80,605	1,207	1,274	85,001	85,140

¹ These gains / (losses) are presented in the Statement of Comprehensive Income.

² There have been transfers of land and building asset into level 3 due to a lack of observable market evidence.

³ There have been transfers of land and buildings assets out of level 3 during the year. Fair value measurements have been developed without use of significant unobservable inputs.

AHL's policy for determining when transfers between levels are deemed to have occurred can be found in accounting policy.

Notes to the financial statements

for the period ended 30 June 2016

Note 22: 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 22A: 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	2016	2015
	\$	\$
CAPITAL ACCOUNT		
Opening balance	75,563	75,563
Closing balance of capital account	75,563	75,563
OPERATING ACCOUNT		
Opening balance	11,039	10,297
Bank interest	401	742
Closing balance of operating account	11,440	11,039
Closing balance of May Ames bequest account	87,003	86,602

Note 22B: 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	125,000	125,000
OPERATING ACCOUNT		
Opening balance	19,447	18,209
Bank interest	668	1,238
Closing balance of operating account	20,115	19,447
Closing balance of Ashley Cooper bequest account	145,115	144,447

PART FIVE

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Requirement	Source	Part 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)	8
Responsible minister	Paragraph 28E(b)	32
Ministerial directions	Paragraph 28E(c) and (e)	32
Policy orders	Paragraphs 28E(d) and (e)	32
Directors	Paragraph 28E(f)	41–45
Organisational structure	Paragraph 28E(g)	29
Location	Paragraph 28E(h)	10–11, inside back cover
Governance	Paragraph 28E(i)	30–33
Related entity transactions	Paragraphs 28E(j) and (k)	49
Significant activities and changes	Paragraph 28E(l)	40
Judicial decisions or decisions of administrative tribunals	Paragraph 28E(m)	33
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)	33
Information from subsidiaries	Paragraph 28E(o)	Not applicable
Compliance index	Paragraph 28E(p)	97–98

Requirement	Source	Part 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
Short-term and long-term objectives and strategy for achieving them	Subsection 300B(1)	8-9, 15-22
Principal activities and contribution to achieving objectives	Subsection 300B(1)	12, 16-25, 39
Performance measures	Subsection 300B(1)	16-25
Directors	Subsection 300B(3)	41-45
Member liability if the company is wound up	Subsection 300B(3)	Not applicable
Financial report	Sections 301 and 316A	39-95
<i>Other legislation</i>		
<i>Environment Protection and Biodiversity Conservation Act 1999</i>	Section 516A	34-35
<i>Work Health and Safety Act 2011</i>	Schedule 2, Part 4	21-22

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