



# Together we stand

Mission Australia Housing Annual Financial Report 2016

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# Directors' Report

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The Directors present their report for Mission Australia Housing (the Company) for the financial year ended 30 June 2016 and the auditor's report thereon.

## 1. Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
<b>Ms Catherine Yeomans, LLB MAICD</b> Chairperson	Appointed as a Chairperson on 19 October 2015; Director since March 2014. Catherine is Chief Executive Officer of Mission Australia, the parent company of Mission Australia Housing. Catherine has previously held positions in senior management roles with Thomson Reuters and LexisNexis. Catherine is also Director of Mission Australia Housing (Victoria), Mission Australia Early Learning, Many Rivers Microfinance Ltd and Mission Providence Pty Ltd.
<b>Ms Sally Ascroft, BEc LLB, GAICD</b>	Appointed as a Director in March 2014. Sally has over 25 years' legal experience, is a former partner of King Wood Mallesons and former General Counsel and Company Secretary of The Trust Company. Sally is a Director and Secretary of Mission Australia Housing (Victoria) and Company Secretary of Mission Australia and Mission Providence Pty Ltd.
<b>Mr Chris Bratchford, LLB, MBA, GAICD</b>	Appointed as a Director on 17 September 2015. Chris joined Mission Australia in February 2015 and is Executive Housing. Chris is a Director of Mission Australia Housing (Victoria).
<b>Mr Iain Keddie, BSc (Hons), ACA</b>	Appointed as a Director on 19 November 2014 after having joined Mission Australia as Chief Financial Officer. Previously, Iain has been CFO and Executive of listed and private companies and has worked in London and Sydney for PricewaterhouseCoopers and Ernst & Young. Iain is also a Director of Mission Australia Housing (Victoria) and Mission Providence Pty Ltd.
<b>Mr James Toomey, MSc, MBA, GAICD</b>	Appointed as a Director on 17 September 2015. James is Executive, Operations and Fundraising at Mission Australia, the parent Company of Mission Australia Housing. James joined Mission Australia in 2010 as National Manager Community Services Operations. A qualified Social Worker, he has extensive experience in children and family services. James is a Director of Mission Australia Housing (Victoria) and Mission Australia Early Learning.
<b>Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD</b>	Appointed as a Director in July 2011. Evelyn is an independent Director of Mission Australia. Evelyn resigned as Director and Chairman on 14 September 2015.

# Directors' Report

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## 1. Directors (continued)

**Mr Rod Fehring, BA, B. App Sci, Grad Dip, AMP (Wharton)** Appointed as a Director in July 2011. He resigned as a Director of the Company on 18 August 2015.

**Mr Peter Rowe, Dip Law (SAB), MAICD** Appointed as a Director in December 2011. Peter resigned as Director on 14 September 2015.

## 2. Company Secretary

Ms Sally Ascroft was appointed to the position of Company Secretary on 31 October 2014.

## 3. Directors' meetings

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

Director	Number of meetings attended	Number of meetings held during the time the Director held office during the year
Ms Catherine Yeomans	7	7
Ms Sally Ascroft	7	7
Mr Iain Keddie	7	7
Mr Chris Bratchford*	6	6
Mr James Toomey*	5	6
Ms Evelyn Horton <sup>#</sup>	1	1
Mr Rod Fehring <sup>#</sup>	1	1
Mr Peter Rowe <sup>#</sup>	1	1

<sup>#</sup> Resigned during the year

\* Appointed during the year

An external Board Review was completed in August 2015 which was considered by the Nomination Remuneration and Succession Committee as part of a high level governance review of the Company. The review was undertaken against the background of the Mission Australia strategy of reducing homelessness and strengthening communities, housing regulatory requirements and the need for proper management, responsibility and accountability. Following this review to effectively enable the Mission Australia Board's role and responsibilities in respect of the Company to be met whilst strengthening the overall management, accountability and governance of the Company Mission Australia, as the sole member of the Company, approved the creation of an executive Board and established the Mission Australia Housing Committee comprising three Mission Australia non-executive Directors and an independent subject matter specialist member with property industry experience. At the request of Mission Australia the two non-executive Directors at the time, Evelyn Horton and Peter Rowe resigned effective 14 September 2015 and two executive Directors James Toomey and Chris Bratchford were appointed effective 17 September 2015.

# Directors' Report

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## 4. Corporate governance

The Company and its parent Mission Australia are committed to proper and effective corporate governance arrangements. The Company has access to shared governance and management resources of Mission Australia and benefits from the Mission Australia Board Committees including the Mission Australia Housing Committee. As a registered charity regulated by Australian Charities and Not-for-profit Commission (ACNC), the Company applies the ACNC Governance Standards. As a registered community housing provider, the Company seeks to meet or exceed the National Community Housing Standards and comply with the National Performance Standards.

The Mission Australia's full corporate Governance Statement is available on the Mission Australia website at [missionaustralia.com.au](http://missionaustralia.com.au).

## 5. Principal activities and objectives

The principal activity of the Company during the financial year was to supply housing solutions that enable Australians in need, to participate in their communities.

The affordable housing program is available for eligible individuals, couples and families on low to moderate incomes who are having difficulty securing housing in the private rental market. Rent is set at 75 per cent of the market rate.

The social housing program is available to individuals, couples and families on low incomes who are eligible for public housing.

## 6. Operating and financial review

### 6.1 Operating results

*In thousands of AUD*

	2016	2015
Operating revenue	18,436	17,707
Expenditure	17,266	16,089
<b>Underlying operating surplus</b>	<b>1,170</b>	<b>1,618</b>
Revenue from housing grant	220	184,400
Movement in fair value of investment property	34,449	10,291
<b>Net surplus</b>	<b>35,839</b>	<b>196,309</b>

The Company reported an underlying operating surplus of \$1.2 million for the current financial year (2015: \$1.6 million). The Company revalued its portfolio of investment properties in accordance with policy resulting in increase of \$34.4 million being recorded.

In November 2015, the Company received financing of an additional \$20.5 million plus refinancing of the existing \$16.5 million debt facility with Commonwealth Bank of Australia to partially fund the Nation Building Stimulus Plan Scheme (NBESP) obligations. The funds consist of two tranches of \$16.5 million and \$20.5 million over 7 years.

# Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing

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## 6. Operating and financial review (continued)

### 6.2 Significant changes in the state of affairs

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

## 7. Events subsequent to reporting date

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

## 8. Likely developments

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

## 9. Directors' interests

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

## 10. Indemnification and insurance of officers and Directors

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

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

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

# Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 11. Non-audit services

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

<i>In AUD</i>	2016	2015
<b>Auditors of the Company - KPMG:</b>		
Audit and review of financial reports	56,000	54,400
<b>Services other than statutory audit:</b>		
<b>Other services</b>		
Other assurance services	-	22,148
	-	22,148

## 12. Performance measurements

The Company monitors its performance against budget and a rolling forecast. The budget is approved by the Board of Directors. Financial results are presented to the Board regularly by senior management of the Company. The Board also reviews the medium and long term plans to assess the Company's ability to deliver on long term projects and commitments. The Board uses this information for future planning, tracking progress over time and determining whether agreed objectives or standards have been met.

## 13. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for financial year ended 30 June 2016.

## 14. Registered office

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

## 15. Founder

The Company was founded by its parent, Mission Australia.

## 16. Founding Purpose

The Company exists for the public charitable purposes of providing relief of poverty, sickness, destitution, helplessness and distress to people with low incomes by the provision of housing solutions that enables Australians in need, to participate in their communities.

## Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing

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### 17. Rounding off

The Company is of a kind referred to Instrument 2016/191 dated 30 June 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### 18. Annual General Meeting

The Company is not required to hold an Annual General Meeting as it only has one member.

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



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**Catherine Yeomans**

Chairman

Sydney, 24 October 2016



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**Iain Keddie**

Director

Sydney, 24 October 2016



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

To: the directors of Mission Australia Housing

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

KPMG

Anthony Travers  
*Partner*

KPMG Sydney

24 October 2016

# Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2016 | Mission Australia Housing

## For the year ended 30 June 2016

*In thousands of AUD*

	Note	2016	2015
Income from rental	3	16,274	15,510
Government contributions and other fees for service income	3	1,833	1,799
Revenue from housing grants - restricted	4	220	184,400
Other government grants		3	95
Change in fair value on investment property		34,449	10,291
Other income		142	154
<b>Total revenue for the year</b>		<b>52,921</b>	<b>212,249</b>
Personnel expenses	18	(3,766)	(2,894)
Utility expenses		(3,519)	(3,334)
Repair and maintenance expenses		(4,066)	(4,234)
Management fees - Mission Australia		(1,054)	(1,028)
Insurance expenses		(758)	(807)
Legal and other consultancy expenses		(435)	(298)
Depreciation and amortisation expenses	6,7	(674)	(664)
Bad debts expenses		(290)	(701)
Communication expenses		(154)	(138)
Rent expenses		(193)	(171)
Transport and equipment hire expenses		(203)	(202)
Other expenses		(885)	(396)
<b>Total expenses for the year</b>		<b>(15,997)</b>	<b>(14,867)</b>
<b>Results from operating activities</b>		<b>36,924</b>	<b>197,382</b>
Finance income		184	149
Finance costs		(1,269)	(1,222)
<b>Net finance costs</b>	15	<b>(1,085)</b>	<b>(1,073)</b>
<b>Net surplus for the year</b>		<b>35,839</b>	<b>196,309</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Effective portion of changes in fair value of cash flow hedges		(1,295)	(53)
<b>Other comprehensive loss for the year</b>		<b>(1,295)</b>	<b>(53)</b>
<b>Total comprehensive income for the year</b>		<b>34,544</b>	<b>196,256</b>
<b>Net surplus attributable to</b>			
Members of the Company		35,839	196,309
<b>Net surplus for the year</b>		<b>35,839</b>	<b>196,309</b>
<b>Total comprehensive income attributable to</b>			
Members of the Company		34,544	196,256
<b>Total comprehensive income for the year</b>		<b>34,544</b>	<b>196,256</b>

The notes on pages 13 to 36 are an integral part of these financial statements.

# Statement of Financial Position

Annual Financial Report 30 June 2016 | Mission Australia Housing

**As at 30 June 2016**

*In thousands of AUD*

	Note	2016	2015
<b>Assets</b>			
Cash and cash equivalents	14	10,925	8,674
Trade and other receivables	10	2,368	2,251
Prepayments		476	379
<b>Total current assets</b>		<b>13,769</b>	<b>11,304</b>
Trade and other receivables	10	2,252	2,252
Property, plant and equipment	6	220	419
Investment property	5	16,155	8,344
Investment property - restricted	5	366,999	333,413
Intangible assets	7	334	815
<b>Total non-current assets</b>		<b>385,960</b>	<b>345,243</b>
<b>Total assets</b>		<b>399,729</b>	<b>356,547</b>
<b>Liabilities</b>			
Trade and other payables	12	1,670	1,621
Employee benefits		196	108
Deferred income		147	54
<b>Total current liabilities</b>		<b>2,013</b>	<b>1,783</b>
Other payables	12	2,157	742
Loans and borrowings	11	31,715	24,741
Employee benefits		58	39
<b>Total non-current liabilities</b>		<b>33,930</b>	<b>25,522</b>
<b>Total liabilities</b>		<b>35,943</b>	<b>27,305</b>
<b>Net assets</b>		<b>363,786</b>	<b>329,242</b>
<b>Equity</b>			
Cash flow hedging reserves		(2,156)	(861)
Accumulated surplus - restricted	13	314,535	314,315
Accumulated surplus		51,407	15,788
<b>Total equity</b>		<b>363,786</b>	<b>329,242</b>

## Statement of Changes in Equity

Annual Financial Report 30 June 2016 | Mission Australia Housing

### For the year ended 30 June 2016

<i>In thousands of AUD</i>	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2014	(808)	129,915	3,879	132,986
<b>Total comprehensive income for the year</b>				
Surplus	-	184,400	11,909	196,309
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges	(53)	-	-	(53)
Total other comprehensive loss	(53)	-	-	(53)
Total comprehensive (loss) / income for the year	(53)	184,400	11,909	196,256
<b>Balance at 30 June 2015</b>	<b>(861)</b>	<b>314,315</b>	<b>15,788</b>	<b>329,242</b>
Balance at 1 July 2015	(861)	314,315	15,788	329,242
<b>Total comprehensive income for the year</b>				
Surplus	-	220	35,619	35,839
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges	(1,295)	-	-	(1,295)
Total other comprehensive loss	(1,295)	-	-	(1,295)
Total comprehensive (loss) / income for the year	(1,295)	220	35,619	34,544
<b>Balance at 30 June 2016</b>	<b>(2,156)</b>	<b>314,535</b>	<b>51,407</b>	<b>363,786</b>

## Statement of Cash Flows

Annual Financial Report 30 June 2016 | Mission Australia Housing

### For the year ended 30 June 2016

*In thousands of AUD*

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Cash receipts from customers		19,767	19,282
Cash paid to suppliers and employees		(16,573)	(14,905)
<b>Cash generated from operations</b>		<b>3,194</b>	<b>4,377</b>
Interest received		184	149
Interest paid		(980)	(1,057)
<b>Net cash from operating activities</b>	14	<b>2,398</b>	<b>3,469</b>
<b>Cash flows from investing activities</b>			
Proceeds from fixed assets		220	356
Payments for fixed assets	5,6	(7,176)	(210)
<b>Net cash (used in) / from investing activities</b>		<b>(6,956)</b>	<b>146</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - parent		2,485	607
Repayment of borrowings - parent		(226)	-
Proceeds from bank borrowings		4,550	-
<b>Net cash from financing activities</b>		<b>6,809</b>	<b>607</b>
Net increase in cash and cash equivalents		2,251	4,222
Cash and cash equivalents at 1 July		8,674	4,452
<b>Cash and cash equivalents at 30 June</b>	14	<b>10,925</b>	<b>8,674</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## About this report

### 1. Reporting entity

Mission Australia Housing (the Company) is a Company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW, 2000, Australia. The Company is a not-for-profit entity and exists for the public charitable purposes of providing relief of poverty,

sickness, destitution, helplessness and distress to people with low incomes by the provision of high quality housing solutions that enables Australians in need to participate in their communities.

### 2. Basis of preparation

- The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations), adopted by the Australian Accounting Standards Board (AASB) and *the Australian Charities and Not-for-profits Commission Act 2012*. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 24 October 2016.

- The financial statements have been prepared on the historical cost basis except for the following:
  - financial instruments at fair value through profit or loss are measured at fair value; and
  - investment properties are measured at fair value.

The methods used to measure fair values are discussed further in Note 17. The financial report has been prepared on a going concern basis.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## Our key numbers

This section provides the information that is the most relevant to understanding the financial performance of the Company during the financial year.

### 3. Revenue

*In thousands of AUD*

#### Revenue from rendering services

Rental revenue from housing services  
Government contribution - rent  
Fee for service income  
Management fees

	2016	2015
Rental revenue from housing services	16,274	15,510
Government contribution - rent	1,745	1,704
Fee for service income	37	43
Management fees	51	52
	<b>18,107</b>	<b>17,309</b>

### Accounting policy

#### Government grants

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

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and

that the Company will comply with the conditions associated with the grants. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

### 4. Housing grants

This note provides information about the grants received by the Company from various state

governments in form of stock transfer or cash grants to purchase the housing stock.

*In thousands of AUD*

BHF\* grant received  
Fair value of properties received under NBESP \*\*  
Fair value of properties received under Camperdown Common Ground  
Total grant received

	2016	2015
BHF* grant received	220	-
Fair value of properties received under NBESP **	-	151,400
Fair value of properties received under Camperdown Common Ground	-	33,000
Total grant received	<b>220</b>	<b>184,400</b>

\* *Better Housing Futures*

\*\* *Nation Building Economic Stimulus Plan*

Refer to Note 5 – *Investment property* for more background information on assets received under NBESP and Camperdown Common Ground.

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### Our assets platform

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

#### 5. Investment property

<i>In thousands of AUD</i>	<b>Owned Properties</b>	<b>Purchased from SHGF*</b>	<b>Received under NBESP**</b>	<b>Camperdown Common Ground</b>	<b>Total</b>
<b>Fair value</b>					
Balance at 1 July 2014	7,193	33,848	106,353	-	147,394
Received as property transfer	-	-	151,400	33,000	184,400
Disposal	(328)	-	-	-	(328)
Change in fair value	1,479	3,590	5,222	-	10,291
Balance at 30 June 2015	8,344	37,438	262,975	33,000	341,757
Balance at 1 July 2015	8,344	37,438	262,975	33,000	341,757
Purchased	6,948	-	-	-	6,948
Received as grants	-	-	-	-	-
Received as property transfer	220	-	-	-	220
Disposal	(220)	-	-	-	(220)
Reclassified from owned	-	-	-	-	-
Change in fair value	863	4,358	26,258	2,970	34,449
Balance at 30 June 2016	<b>16,155</b>	<b>41,796</b>	<b>289,233</b>	<b>35,970</b>	<b>383,154</b>

\* Social Housing Growth Fund

\*\* Nation Building Economic Stimulus Plan

#### Stock transfers received under Nation Building Economic Stimulus Plan (NBESP)

In 2011, Mission Australia Housing was successful in its tender application to take on the ownership and management of 68 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative.

#### Stock transfers received under Camperdown Common Ground

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

The NBESP and Camperdown Common Ground grants are subject to certain conditions by which the

Company must abide. Failure to comply with these conditions could result in returning the assets (transferred under the two grants) to the funding bodies. The Company has assessed the likelihood of breaching or being non-compliant to these conditions as less than remote.

Assets received from Camperdown Common Ground grant and those received under NBESP scheme are classified as restricted because of the conditions provided in the agreement that either restricts the sale of the assets for certain period or restrict the use of sale proceeds generated by the sale of these assets.

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

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### 5. Investment property (continued)

#### Security

At 30 June 2016 Investment Properties with a carrying amount of \$331.0 million (2015: \$43.4 million) are subject to a mortgage to secure bank loans (see Note 11).

#### Accounting Policy

##### Recognition and measurement

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

##### Revenue from housing services

Rental revenue from housing services is recognised in profit or loss upon the delivery of social and

affordable housing services to the customer, being people in need.

##### Revenue from housing grants

Revenue from housing grants is recognised to the extent that the significant risks and rewards associated with the grant have been transferred to the Company, the significant act underlying the grant agreement has been fulfilled, and the funds have been expended for the grant purpose.

##### Valuation methodology

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

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

### 6. Property, plant and equipment

*In thousands of AUD*

	<b>WIP</b>	<b>Leasehold Improvement</b>	<b>IT Assets</b>	<b>Plant and Equipment</b>	<b>Total</b>
Carrying amount as at 1 July 2014	13	248	-	209	470
Additions	(13)	164	-	59	210
Depreciation expenses	-	(136)	-	(125)	(261)
Balance at 30 June 2015	-	276	-	143	419
Assets book value	-	618	82	376	1,076
Accumulated depreciation	-	(342)	(82)	(233)	(657)
Carrying amount as at 1 July 2015	-	276	-	143	419
Additions	-	-	3	69	72
Depreciation expenses	-	(144)	-	(127)	(271)
Balance at 30 June 2016	-	132	3	85	220
Assets book value	-	618	85	445	1,148
Accumulated depreciation	-	(486)	(82)	(360)	(928)

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 6. Property, plant and equipment (continued)

### Accounting Policy

#### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

If significant parts of items of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

#### Subsequent expenditure

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

#### Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight-line basis over the

estimated useful lives, and is generally recognised in profit or loss.

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

The estimated useful lives for the current and comparative periods are as follows:

- Building 50 years
- Leasehold improvement 3-10 years
- Plant and equipment 3-5 years

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

#### Impairment

##### Non-financial assets

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 7. Intangible assets

Cost	Computer Software
<i>In thousands of AUD</i>	
Carrying amount as at 1 July 2014	1,218
Acquisitions	-
Amortisation expense	(403)
Net book value as at 30 June 2015	<b>815</b>
Assets book value	2,015
Accumulated amortisation	(1,200)
Carrying amount as at 1 July 2015	815
Acquisitions	(78)
Amortisation expense	(403)
Net book value as at 30 June 2016	<b>334</b>
Assets book value	1,937
Accumulated amortisation	(1,603)

### Accounting Policy

#### Software

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

#### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for the current and comparative periods are as follows:

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

- Computer software 1-5 years

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 8. Capital and other commitments

### 8.1 Capital Commitments

The Company has contractual commitments with Housing NSW, as a condition of the transfer of properties under the NBESP scheme and with Housing Tasmania, towards increasing the social and affordable housing stock in NSW and Tasmania.

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

*In thousands of AUD*

Less than one year  
Between one and five years

	2016	2015
Less than one year	214	588
Between one and five years	-	523
	<b>214</b>	<b>1,111</b>

During the year, \$16.3 million (2015: \$15.5 million) was recognised as rental income in profit or loss.

### 8.3 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to fulfil this obligation, it sets aside cash resources.

Refer to Note 14 *Cash and Cash Equivalents* which show \$3.9 million (2015: \$2.8 million) set aside in Sinking Funds to meet future periodic repair and maintenance requirements.

## 9. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

*In thousands of AUD*

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

	2016	2015
Less than one year	246	234
Between one and five years	535	681
More than five years	-	-
	<b>781</b>	<b>915</b>

During the year ended 30 June 2016, \$0.21 million (2015: \$0.21 million) was recognised as an expense

in the profit or loss in respect of operating leases. The Company does not have any finance lease arrangements at 30 June 2016.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 9. Operating lease (continued)

### Accounting Policy

#### Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contain a lease, the company separates

payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

## 10. Trade and other receivables

*In thousands of AUD*

#### Current

Trade receivables

#### Non-current

Other receivables - related parties

	2016	2015
	2,368	2,251
	2,368	2,251
	2,252	2,252
	<b>4,620</b>	<b>4,503</b>

No security is held against related entity balances. The Company's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 16.

### Accounting Policy

#### Impairment

##### *Non-derivative financial assets*

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

#### Financial instruments

The Company classify non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivable.

##### *Non-derivative financial assets and financial liabilities – Recognition and derecognition*

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

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## 10. Trade and other receivables (continued)

### Accounting Policy (continued)

#### Financial instruments (continued)

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

#### *Loans and receivables*

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## Our financing and capital structure

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

### 11. Loans and borrowings

This note provides information about the Company's interest-bearing loans and borrowings which are measured at amortised cost. For more information on Company's exposure to interest rate and liquidity risk, see Note 16.

Bank loans are secured by properties owned by the company and are disclosed as non-current liabilities.

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2016		30 June 2015	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	3.9%	2018	21,050	21,050	16,500	16,500
Unsecured loan from parent	AUD	9.0%	NA	10,665	10,665	8,241	8,241
<b>Total interest-bearing liabilities</b>				<b>31,715</b>	<b>31,715</b>	<b>24,741</b>	<b>24,741</b>

The bank loans are secured over investment properties with a carrying amount of \$331.0 million (2015: \$43.4 million).

### Accounting Policy

#### Financial instruments

##### *Derivative financial instruments, including hedge accounting*

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

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

The Company has a loan agreement in place with Mission Australia under which Mission Australia continues to provide financial support to ensure sufficient financing facilities will be available to the Company. Interest is charged on related entity balances at nine per cent during the year based on the loan agreement between the Company and Mission Australia.

#### *Cash flow hedges*

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

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedge item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### 12. Trade and other payables

<i>In thousands of AUD</i>	2016	2015
<b>Current</b>		
Trade payables	1,670	1,621
<b>Non-current</b>		
Other payable	2,157	742
	<b>2,157</b>	<b>742</b>
<b>Total</b>	<b>3,827</b>	<b>2,363</b>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 16.

### 13. Capital and reserves

#### 13.1 Accumulated surplus

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

#### 13.2 Accumulated surplus

Accumulated surplus comprises an aggregate of the retained earnings, total comprehensive income as well as transfers from the asset revaluation reserve.

*In thousands of AUD*

Opening balance
Fair value of properties purchased from BHF
Fair value of properties received under NBESP and Common Ground Grant

2016	2015
314,315	129,915
220	-
-	184,400
<b>314,535</b>	<b>314,315</b>

### Accounting policy

#### Provisions

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

#### 13.3 Accumulated surplus - restricted

Restricted Accumulated surplus relates to SHGF, Camperdown Common Ground and NBESP grants. Please refer to Note 4 *Housing grants* for more details. The Company has recognised an additional restricted accumulated surplus of \$0.2 million (2015: \$184.4 million) in the current financial year.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 14. Cash and cash equivalents

<i>In thousands of AUD</i>	2016	2015
Bank balances	7,022	5,866
Cash at bank - Sinking fund	3,903	2,808
Cash and cash equivalents in the statement of cash flows	<b>10,925</b>	<b>8,674</b>

Sinking Funds are cash balances set aside for periodic repairs and maintenance of investment properties and are utilised to cover the costs of future capital expenses in the long term.

As a licensed housing provider, Mission Australia Housing has an obligation to set aside resources for periodic repairs and maintenance of housing properties.

### 14.1 Reconciliation of cash flow from operating activities

<i>In thousands of AUD</i>	Note	2016	2015
Cash flows from operating activities			
Surplus for the year		35,839	196,309
Adjustments for:			
Depreciation of property, plant and equipment	6	271	261
Amortisation of intangible assets	7	403	403
Gain on sale of fixed assets		91	(16)
Interest payable		289	159
NBESP stock transfer	4	-	(151,400)
Capital grant	4	(220)	-
Caperdown Common Ground grant	4	-	(33,000)
Change in fair value of investment property	5	(34,449)	(10,291)
		<b>2,224</b>	<b>2,425</b>
Operating profit before changes in working capital and provisions			
Change in trade and other receivables		(97)	459
Change in prepayments		(97)	232
Change in trade and other payables		168	496
Change in employee benefits		107	(27)
Change in deferred income		93	(116)
<b>Net cash generated from operations</b>		<b>2,398</b>	<b>3,469</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 15. Finance income and finance costs

<i>In thousands of AUD</i>	2016	2015
Recognised in profit or loss		
Interest income	184	149
Finance income	184	149
Interest expense	(1,269)	(1,222)
Finance expense	(1,269)	(1,222)
<b>Net finance costs recognised in (deficit)</b>	<b>(1,085)</b>	<b>(1,073)</b>
The above finance income and costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	184	149
Total interest expense on financial liabilities	(1,269)	(1,222)

### Accounting Policy

#### Finance income and expense

The Company's finance income and finance costs include;

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

Interest income or expenses is recognised using the effective interest method.

## 16. Financial risk management

### 16.1 Overview

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

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

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

### 16.2 Risk management framework

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Company manages its financial, credit and market risk using various financial instruments, governed by a set of policies approved by the Board. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### 16. Financial risk management (continued)

#### 16.3 Credit risk

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

##### i. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's customer base primarily consists of residents occupying

accommodation, the federal government, state governments and financial institutions.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectable. The Company does not require any collateral in respect of trade and other receivables.

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Note	2016	2015
Receivables from related parties	10	2,252	2,252
Trade and other receivables	10	2,368	2,251
		<b>4,620</b>	<b>4,503</b>

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

<i>In thousands of AUD</i>	2016	2015
Governments	2,052	1,923
Other customers	316	328
Other related parties	2,252	2,252
	<b>4,620</b>	<b>4,503</b>

#### Impairment losses

The ageing of the Company's trade receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	2,107	-	2,006	-
Past due 0-30 days	242	-	227	-
Past due 31-120 days	19	-	18	-
	<b>2,368</b>	<b>-</b>	<b>2,251</b>	<b>-</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 16. Financial risk management (continued)

### 16.3 Credit risk (continued)

#### i. Trade and other receivables (continued)

##### *Impairment losses (continued)*

The Company has monitored customer credit risk, by grouping trade and other receivables based on their characteristics. An analysis of the

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

*In thousands of AUD*

Receivable from State and Federal governments (low risk)  
Receivable from related parties (low risk)

Other customer:

Four or more years trading history with the Company  
Less than four years of trading history with the Company

	2016	2015
Receivable from State and Federal governments (low risk)	2,052	1,923
Receivable from related parties (low risk)	2,252	2,252
Other customer:		
Four or more years trading history with the Company	-	-
Less than four years of trading history with the Company	316	328
	<b>4,620</b>	<b>4,503</b>

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired. No trade and other receivables that were neither past due nor impaired are included in the higher risk category in the above table. \$0.3 million from other customers mainly represents balance only from tenants. This

balance is net of provision for doubtful debts of \$0.8 million.

Based on the Company's monitoring of customer credit risk, the Company believes that, no impairment allowance is necessary in respect of trade receivables not past due.

### 16.4 Liquidity risk

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

The Company maintains an inter-company loan account facility with its parent, Mission Australia. Interest on inter-company loan account facility would be payable on a daily basis at the prevailing rate of 9 per cent.

The Company uses interest rate swaps to hedge against the risk of variable interest rates.

#### **Exposure to liquidity risk**

The following table indicates:

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

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### 16. Financial risk management (continued)

#### 16.4 Liquidity risk (continued)

<i>In thousands of AUD</i> 2016	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
<b>Financial liabilities</b>					
Trade and other payables	3,827	3,827	1,670	-	2,157
Loans and Borrowings	31,715	34,715	375	375	33,965
	<b>35,542</b>	<b>38,542</b>	<b>2,045</b>	<b>375</b>	<b>36,122</b>
<b>Derivative financial liabilities</b>					
Interest rate swap used for hedging	<b>2,157</b>	<b>2,157</b>	-	-	<b>2,157</b>
<b>2015</b>					
<b>Financial liabilities</b>					
Trade and other payables	2,363	2,363	1,621	-	742
Loans and Borrowings	24,741	28,989	531	531	27,927
	<b>27,104</b>	<b>31,352</b>	<b>2,152</b>	<b>531</b>	<b>28,669</b>
<b>Derivative financial liabilities</b>					
Interest rate swap used for hedging	861	861	-	-	861

Deferred income and some accruals (i.e. straight-lining of interest expenses) are not financial liabilities and therefore are excluded in the analysis.

#### 16.5 Market risk

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

The Company utilised financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

#### i. Currency risk

The Company is not exposed to any currency risk.

#### ii. Interest rate risk

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 16. Financial risk management (continued)

### 16.5 Market risk (continued)

#### ii. Interest rate risk (continued)

##### Exposure to interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

#### 2016

*In thousands of AUD*

	Carrying amount	Average	<i>Interest rate range</i>	
	\$	%	From	To
			%	%
<b>Fixed rate instruments</b>				
Financial liabilities				
- Bank loans	20,085	3.6	3.0	3.9
- Loan from parent	10,665	9.0	9.0	9.0
<b>Variable rate instruments</b>				
Financial liabilities				
- Loans and borrowings	965	3.6	3.2	3.7

#### 2015

*In thousands of AUD*

	Carrying amount	Average	<i>Interest rate range</i>	
	\$	%	From	To
			%	%
<b>Fixed rate instruments</b>				
Financial liabilities				
- Bank loans	15,535	6.0	5.3	6.7
- Loan from parent	8,241	9.0	9.0	9.0
<b>Variable rate instruments</b>				
Financial liabilities				
- Loans and borrowings	965	4.1	3.6	4.2

#### Sensitivity analysis

##### Fixed rate instrument

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

A change of 1 per cent in interest rates would have increased or decreased equity by \$307,500 (2015: \$237,760).

##### Variable rate instrument

A change of 1 per cent in average bank loan interest rate at the reporting date would have increased / (decreased) equity and profit or loss by \$9,650 (2015: \$9,650).

## Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

### 17. Determination of fair values

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

#### 17.1 Trade and other receivables

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

#### 17.2 Non-derivative financial liabilities

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

#### 17.3 Investment property

Investment properties are held at fair value based on a determination of their highest and best use and follows the fair market hierarchy disclosed in note 17.6. An external, independent valuation

company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values approximately one-third of the Company's investment property portfolio annually. Properties are selected for independent valuation on a rotational basis to ensure each property is valued at least once every three years. The fair values are based on highest and best use market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

#### 17.4 Fair values versus carrying amounts

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

<i>In thousands of AUD</i>	Note	2016		2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	14	10,925	10,925	8,674	8,674
Trade and other receivables	10	4,620	4,620	4,503	4,503
Trade and other payables	12	(3,827)	(3,827)	(2,363)	(2,363)
Loans and Borrowings	11	(31,715)	(31,715)	(24,741)	(24,741)
Interest rate swap used for hedging		(2,157)	(2,157)	(861)	(861)
		<b>(22,154)</b>	<b>(22,154)</b>	<b>(14,788)</b>	<b>(14,788)</b>

All the financial assets and liabilities listed above are carried at amortised cost except interest rate swaps.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 17. Determination of fair values (continued)

### 17.5 Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

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

*In thousands of AUD*

**30 June 2016**

Interest rate swap used for hedging

Level 1	Level 2	Level 3	Total
-	(2,157)	-	(2,157)
-	(2,157)	-	(2,157)

**30 June 2015**

Interest rate swap used for hedging

Level 1	Level 2	Level 3	Total
-	(861)	-	(861)
-	(861)	-	(861)

Interest rate swaps used for hedging are valued based on mark to market valuation provided by the financier. The valuation is further assessed for credit risk of both parties.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

## Accounting policy

### Use of estimates and judgements

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### i. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2016 are included in the following notes:

- Note 5 – *Investment Property*
- Note 16 – *Financial Risk Management*

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## 17. Determination of fair values (continued)

### Accounting policy (continued)

#### Use of estimates and judgements (continued)

##### ii. Measurement of Fair Value

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

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

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are referred to the Mission Australia's Board Audit and Risk Committee.

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

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

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

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

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

- Note 16 - *Financial Risk Management*
- Note 5 - *Investment Property*

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## Our people

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

### 18. Personnel expenses

*In thousands of AUD*

	2016	2015
Wages and salaries	2,958	2,159
Other associated personnel expenses	539	539
Contributions to defined contribution plans	269	196
	<b>3,766</b>	<b>2,894</b>

#### Short-term benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for

their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurement is recognised in profit or loss in the period in which they arise.

#### Termination benefits

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

### 19. Related parties

#### 19.1 Key management personnel compensation

The key management personnel compensation included in 'Personnel expenses' (see Note 18) is as follows:

*In AUD*

	2016	2015
Short-term employee benefits	144,692	85,856
Long-term benefits	423	2,588
Post-employment benefits	13,729	9,580
	<b>158,844</b>	<b>98,024</b>

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

#### 19.2 Individual Directors' compensation disclosures

The Independent Directors provide their services to the Company on an honorary basis and receive

no direct remuneration in respect of the services provided and no indirect remuneration. As at 30 June 2016, all Directors were senior employees of Mission Australia, the parent of Mission Australia Housing. Hence, their duties as Directors of this Company were performed as part of their work responsibility as an employee of Mission Australia.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

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## 19. Related parties (continued)

### 19.2 Individual Directors' compensation disclosures (continued)

Amounts reported in this note relate to the remuneration of General Manager. Apart from the details disclosed in this note, no Director has entered into a material contract with the Company

since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

## 20. Parent

Mission Australia Housing is a company limited by guarantee with Mission Australia the only member.

Consequently Mission Australia Housing is deemed a 100% controlled entity of Mission Australia.

# Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing

## Other disclosures

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

### 21. Subsequent events

There have been no events subsequent to the statement of financial position date, which would

have a material effect on the Company's financial statements at 30 June 2016.

### 22. Auditors' remuneration

*in AUD*

#### Amounts paid or payable to auditor of the Company - KPMG Australia

Audit of financial reports

#### Other Services

Auditors of the Company

	2016	2015
Audit of financial reports	56,000	54,400
Other Services	-	22,148

### 23. Members' guarantee

Mission Australia Housing is a Company limited by guarantee. In the event of the Company being wound up, Mission Australia, as the sole member

might be liable to contribute an amount not exceeding 10 cents.

### 24. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 24.1 Income tax

The Company is appropriately endorsed (as required by the Australian Tax Office) from the date of incorporation, for income tax exemptions.

#### 24.2 New Standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7

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

# Notes to the Financial Statements

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## 24. Significant accounting policies (continued)

### 24.2 New Standards and interpretations not yet adopted (continued)

- AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB15 (effective 1 January 2018)*.
- AASB 16 *Leases (effective 1 January 2019)*
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit public sector Entities*.

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

### 24.3 Financial instruments

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

#### *Non-derivative financial assets - Measurement*

#### *Financial assets at fair value through profit or loss*

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

#### *Non-derivative financial liabilities - Measurement*

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

### 24.4 Changes in accounting policies

In the current year, the Company has adopted all of the following and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB ) that are relevant to its operations and effective for the current annual reporting period:

- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)*

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Company.

## Directors' Declaration

Annual Financial Report 30 June 2016 | Mission Australia Housing

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### Directors' Declaration

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

- a) the financial statements and notes set out on pages 13 to 36 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and
  - ii. complying with Australian Accounting Standards (including *the Australian Accounting Interpretations*) and *the Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Sydney, 24 October 2016.



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**Catherine Yeomans**  
Chairman



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**Iain Keddie**  
Director



## **Independent audit report to the members of Mission Australia Housing**

### **Report on the financial report**

We have audited the accompanying financial report of Mission Australia Housing (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

#### *Directors' responsibility for the financial report*

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the ACNC and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report, based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Independence*

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

*Auditor's opinion*

In our opinion the financial report of Mission Australia Housing is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

Anthony Travers  
*Partner*

KPMG Sydney

24 October 2016