



Together we stand

Mission Australia Housing (Victoria) Annual Financial Report 2016

Contents

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

Section	Page
Directors' Report	2
Auditor's independence declaration	7
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	23
Independent Audit Report to Members of Mission Australia Housing (Victoria)	24

Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

The Directors present their report for Mission Australia Housing (Victoria) (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
Ms Catherine Yeomans, LLB MAICD Chairperson	Appointed as a Chair of Mission Australia Housing (Victoria) on 19 October 2015: Director since March 2014. Catherine is the Chief Executive Officer at Mission Australia, the parent Company of Mission Australia Housing (Victoria). Catherine has previously held senior management roles at Thomson Reuters and LexisNexis. Catherine is also Director of Mission Australia Housing, Mission Australia Early Learning, Many Rivers Microfinance Ltd and the Mission Providence Pty Ltd.
Ms Sally Ascroft, BEc LLB, GAICD	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 and Company Secretary of Mission Australia and Mission Providence Pty Ltd.
Mr Chris Bratchford, LLB, MBA, GAICD	Appointed as a Director on 17 September 2015. Chris joined Mission Australia in January 2015 and is Executive Housing. Chris is also a Director of Mission Australia Housing. Chris is Director of Mission Australia Housing.
Mr Iain Keddie, BSc (Hons), ACA	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 (including Cuscal, Espreon, Orotan and Solution 6) and has worked in London and Sydney for PricewaterhouseCoopers and Ernst & Young. Iain is also a Director of Mission Australia Housing and the Mission Providence Pty Ltd joint venture.
Mr James Toomey, MSc, MBA, GAICD	Appointed as a Director on 17 September 2015. James is Executive, Operations and Fundraising at Mission Australia, the parent Company of Mission Australia Housing (Victoria). 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 also Director of Mission Australia Housing and Mission Australia Early Learning.
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD	Appointed as a Director in April 2011. Evelyn is an independent Director of Mission Australia. Evelyn resigned as Director and Chairman on 14 September 2015.
Mr Rod Fehring, BA, B. App Sci, Grad Dip, AMP (Wharton)	Appointed as a Director in July 2011. Rod 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.

Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

2. Company Secretary

Ms Sally Ascroft, was appointed as 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	6	6
Ms Sally Ascroft	6	6
Mr Iain Keddie	6	6
Mr Chris Bratchford*	5	5
Mr James Toomey*	4	5
Ms Evelyn Horton [#]	1	1
Mr Rod Fehring [#]	1	1
Mr Peter Rowe [#]	1	1
* - Appointed during the year	[#] - Resigned 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

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

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.

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 average 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

<i>in AUD</i>	2016	2015
Continuing operations		
Revenue	1,214,684	805,409
Expenditure	(270,910)	(1,177,737)
Underlying operating surplus / (deficit)	943,774	(372,328)
Net finance cost	(54,913)	(147,568)
Net surplus / (deficit)	888,861	(519,896)

The operating surplus / (deficit) of the company for the year was \$943,774 (2015: \$372,328).

6.2 Significant changes in the state of affairs

During the financial year the Company disposed of its National Rental Affordability Scheme (NRAS) and Property Management business. In the opinion of the directors, other than set out in this report, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

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 likely changes in the operations of the Company that will adversely or significantly affect the results of the Company 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.

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. No amounts were paid to the auditor for non-audit services.

in AUD

Auditors of the Company - KPMG:

Audit and review of financial reports

	2016	2015
	20,100	22,300

12. Performance measurements

The Company monitors its performance against budget and a rolling forecast. The budget is approved by the Board of Director. 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.

Directors' Report

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

13. Auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 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 27, 150 Lonsdale Street, Melbourne, Victoria 3000.

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.

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



Catherine Yeomans

Chairman

Sydney, 24 October 2016



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 (Victoria)

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 (Victoria)

For the year ended 30 June 2016

in AUD

	Note	2016	2015
Revenue from rendering services	5	437,925	800,992
Other Income		776,759	4,417
Total revenue for the year		1,214,684	805,409
Change in fair value on investment property	9	382,585	-
Personnel expenses	6	(353,130)	(710,477)
Utility expenses		(33,310)	(32,614)
Legal and other consultancy expenses		(24,801)	(51,467)
Management fees - Mission Australia		(89,344)	(89,344)
Bad debts expenses		-	(17,918)
Repair and maintenance expenses		(1,268)	(9,689)
Rent expenses		(38,467)	(69,014)
Communication expenses		(33,279)	(46,747)
Transport and equipment hire expenses		(48,045)	(66,754)
Insurance expenses		-	(2,773)
Other expenses		(31,851)	(80,940)
Total expenses for the year		(270,910)	(1,177,737)
Results from operating activities		943,774	(372,328)
Finance income		22,330	55,067
Finance costs		(77,243)	(202,635)
Net finance costs	7	(54,913)	(147,568)
Net surplus / (deficit) for the year		888,861	(519,896)
Net surplus / (deficit) attributable to			
Members of the Company		888,861	(519,896)
Net surplus / (deficit) for the year		888,861	(519,896)
Other comprehensive income / (loss)			
Effective portion of changes in fair value of cash flow hedges		-	34,589
Other comprehensive income / (loss) for the year		-	34,589
Total comprehensive income / (loss) for the year		888,861	(485,307)
Net surplus / (deficit) attributable to			
Members of the Company		888,861	(519,896)
Net surplus / (deficit) for the year		888,861	(519,896)
Total comprehensive income / (loss) attributable to			
Members of the Company		888,861	(485,307)
Total comprehensive income / (loss) for the year		888,861	(485,307)

Statement of Financial Position

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

As at 30 June 2016

in AUD

	Note	2016	2015
Assets			
Cash and cash equivalents	8	667,239	2,063,018
Trade and other receivables	10	4,121	671,765
Prepayment		12,103	12,808
Total current assets		683,463	2,747,591
Investment property	9	2,825,000	2,366,371
Trade and other receivables	10	13,598	-
Total non-current assets		2,838,598	2,366,371
Total assets		3,522,061	5,113,962
Liabilities			
Trade and other payables		33,570	28,090
Employee benefits		2,099	21,392
Total current liabilities		35,669	49,482
Loans and borrowings	11	2,187,000	4,640,844
Employee benefits		-	13,105
Total non-current liabilities		2,187,000	4,653,949
Total liabilities		2,222,669	4,703,431
Net assets		1,299,392	410,531
Equity			
Accumulated surplus		1,299,392	410,531
Total equity		1,299,392	410,531

Statement of Changes in Equity

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

For the year ended 30 June 2016

<i>in AUD</i>	Cash flow Hedge Reserve	Accumulated Surplus / (deficit)	Asset Revaluation Reserve	Total Equity
Balance at 1 July 2014	(34,589)	(134,628)	1,065,055	895,838
Adjustment to accumulated surplus 2013-14 arising from sale of properties	-	1,065,055	(1,065,055)	-
Total comprehensive (deficit) / surplus for the year				
Deficit	-	(519,896)	-	(519,896)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	34,589	-	-	34,589
Total other comprehensive (loss) / income	34,589	-	-	34,589
Total comprehensive (deficit) / surplus for the year	34,589	(519,896)	-	(485,307)
Balance at 30 June 2015	-	410,531	-	410,531
Balance at 1 July 2015	-	410,531	-	410,531
Total comprehensive (deficit) / surplus for the year				
Surplus	-	888,861	-	888,861
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	-	-	-
Total other comprehensive income / (loss)	-	-	-	-
Total comprehensive surplus / (deficit) for the year	-	888,861	-	888,861
Balance at 30 June 2016	-	1,299,392	-	1,299,392

Statement of Cash Flows

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

For the year ended 30 June 2016

in AUD

	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		1,220,112	1,251,637
Cash paid to suppliers and employees		(790,450)	(1,273,378)
Cash from / (used in) operations		429,662	(21,741)
Interest received		22,330	55,067
Interest paid		(1,548)	(202,635)
Net cash from / (used in) operating activities	8	450,444	(169,309)
Cash flows from investing activities			
Payments for investment properties	9	(76,044)	(1,729,739)
Proceeds from sale of investment properties		772,958	8,806,000
Net cash from investing activities		696,914	7,076,261
Cash flows from financing activities			
Repayment of borrowing		(2,543,137)	(6,845,768)
Net cash used in financing activities		(2,543,137)	(6,845,768)
Net (decrease) / increase in cash and cash equivalents		(1,395,779)	61,184
Cash and cash equivalents at 1 July		2,063,018	2,001,834
Cash and cash equivalents at 30 June	8	667,239	2,063,018

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

1. Reporting entity

Mission Australia Housing (Victoria) (the Company) is a Company domiciled in Australia. The address of the Company's registered office is Level 2, 164-180 Kings Way, Melbourne, Victoria 3000, 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

2.1 Statement of compliance

The financial report is a special purpose financial report which 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 special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the directors to meet the needs of members:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting policies, changes in accounting estimates and errors*
- AASB 1048 *Interpretation of Standards*
- AASB 1054 *Australian Additional Disclosure*

The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 24 October 2016.

2.2 Basis of measurement

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 4. The financial report has been prepared on a going concern basis.

2.3 Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing this 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.

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

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

2. Basis of preparation (continued)

2.5 Change 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.

3. Significant accounting policies

3.1 Financial instruments

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

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

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

i. 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 liabilities are initially recognised on the trade date.

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 financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the *Statement of Financial Position* when, and only when, the 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.

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.

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition (continued)

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.

ii. 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.

3.2 Investment property

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.

3.3 Impairment

i. Non-derivative financial assets

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

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse change on the payment status of borrowers or issuers; or
- the disappearance of an active market for a security.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

ii. 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 (Victoria)

3. Significant accounting policies (continued)

3.4 Employee benefits

i. 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.

ii. 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. Remeasurements are recognised in profit or loss in the period in which they arise.

iii. 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.

iv. 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. Remeasurement is recognised in profit or loss in the period in which they arise.

3.5 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.

3.6 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

3. Significant accounting policies (continued)

3.7 Revenue

i. 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.

ii. 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.

iii. 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 grant. 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.

3.8 Leases

i. 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.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii. 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.

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

3. Significant accounting policies (continued)

3.9 Finance income and expense

The Company's finance income and finance costs include:

- interest income;
- interest expenses on borrowing;
- unwinding of the discount on provision; 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.

3.10 Income tax

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

3.11 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)*.
- AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB15 (effective 1 January 2018)*.
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit public sector Entities*.
- AASB 16 *Leases (effective 1 January 2019)*.

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

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

4. 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.

4.1 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.

4.2 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.

4.3 Investment property

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

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

5. Revenue

in AUD

Revenue from rendering services

	2016	2015
Rental revenue from housing services	20,607	72,789
Government contribution - rent	2,747	85,806
Fee for service income	145,140	281,446
Management fees	269,431	360,951
	437,925	800,992

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

6. Personnel expenses

<i>in AUD</i>	2016	2015
Wages and salaries	245,023	308,806
Other associated personnel expenses	88,115	369,274
Contributions to defined contribution plans	19,992	32,397
	353,130	710,477

7. Finance income and finance costs

<i>in AUD</i>	2016	2015
Recognised in profit or loss		
Interest income	22,330	55,067
Finance income	22,330	55,067
Interest expense	77,243	202,635
Finance cost	77,243	202,635
Net finance costs recognised in (deficit) / surplus	(54,913)	(147,568)
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	22,330	55,067
Total interest expense on financial liabilities	77,243	202,635

8. Cash and cash equivalents

<i>in AUD</i>	2016	2015
Bank balances	667,239	2,063,018
Cash at bank - Sinking fund	-	-
Cash and cash equivalents in the statement of cash flows	667,239	2,063,018

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

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

8. Cash and cash equivalents (continued)

8.1 Reconciliation of cash flows from operating activities

<i>in AUD</i>	Note	2016	2015
Cash flows from operating activities			
Surplus / (Deficit) for the year		888,861	(519,896)
Adjustments for:			
Interest payable		75,695	129,224
Change in fair value of investment property	9	(382,585)	-
Proceed from sale of NRAS business		(772,958)	
Operating loss before changes in working capital and provisions		(190,987)	(390,672)
Change in trade and other receivables	10	667,644	346,921
Change in trade and other payables (excluding payables to parent)		5,480	(153,686)
Change in employee benefits		(32,398)	21,983
Change in prepayment		705	6,883
Change in deferred income		-	(738)
Net cash generated from / (used in) operations		450,444	(169,309)

9. Investment property

<i>in AUD</i>	2016	2015
Balance at 1 July	2,366,371	636,632
Addition	76,044	1,729,739
Change in fair value	382,585	-
Balance at 30 June	2,825,000	2,366,371

Security

At 30 June 2016 Land and Buildings with a carrying amount of Nil (2015: Nil) are subject to a mortgage to secure bank loans (see Note 11).

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

10. Trade and other receivables

<i>in AUD</i>	2016	2015
Current		
Trade receivables	4,121	671,765
	4,121	671,765
Non current		
Other receivables	13,598	-
	13,598	-
	17,719	671,765

11. Loans and borrowings

This note provides information about the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Term and conditions of outstanding loans were as follows:

<i>in AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2016		30 June 2015	
				Face Value	Carrying amount	Face value	Carrying amount
Unsecured loan from parent	AUD	-	-	-	-	2,453,844	2,453,844
Unsecured loan from other related party	AUD	-	2017	2,187,000	2,187,000	2,187,000	2,187,000
Total interest-bearing liabilities				2,187,000	2,187,000	4,640,844	4,640,844

12. Contingencies

The Directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Notes to the Financial Statements

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

13. Related parties

13.1 Key Management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see Note 6) is as follows:

<i>in AUD</i>	2016	2015
Short-term employee benefits	71,266	42,287
Long-term benefits	208	1,274
Post-employment benefits	6,762	4,718
	78,236	48,279

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.

13.2 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 (Victoria). Hence, their duties as Directors of this Company were performed as part of their work responsibility as an employee of Mission Australia.

Amounts reported in this note relates to the remuneration of Chief Executive Officer. 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.

14. Parent

Mission Australia Housing (Victoria) is a company limited by guarantee with Mission Australia the only member. Consequently Mission Australia Housing (Victoria) is deemed a 100% controlled entity of Mission Australia.

15. 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.

16. Auditors' remuneration

<i>in AUD</i>	2016	2015
Amounts paid or payable to the auditor of the Company - KPMG Australia		
Audit of financial reports	20,100	22,300
	20,100	22,300

17. Members' guarantee

Mission Australia Housing (Victoria) 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 ten cents.

Directors' Declaration

Annual Financial Report 30 June 2016 | Mission Australia Housing (Victoria)

Directors' Declaration

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

- a) the financial statements and notes set out on pages 8 to 22, 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 their 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.



Catherine Yeomans

Chairman



Iain Keddie

Director



Independent audit report to the members of Mission Australia Housing (Victoria)

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Mission Australia Housing (Victoria) (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 17 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 special purpose financial report that gives a true and fair view in accordance with 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, being a special purpose 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 (Victoria) 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*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the ACNC. As a result, the financial report may not be suitable for another purpose.

KPMG

Anthony Travers
Partner

KPMG Sydney

24 October 2016