MISSION AUSTRALIA HOUSING

(ABN 13 003 683 261)

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED

30 June 2014

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MISSION AUSTRALIA HOUSING

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ABN 13 003 683 261

The Directors present their report for Mission Australia Housing (the Company) for the financial year ended 30 June 2014 and the auditor's report thereon.

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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 Evelyn Horton, BEc, MSocSci (Econs), GAICD **Chairman, Non-Executive Director**	Appointed as a Chair of Mission Australia Housing in March 2014; Director since 2011. Evelyn is an independent Director of Mission Australia and Chairman of Mission Australia Housing (Victoria). She is an independent Director of the National Australia Bank group's superannuation trustees and of the Tasmanian Public Finance Corporation. Evelyn previously held senior executive roles in government, investment banking, and risk management.
Ms Catherine Yeomans, LLB **Non-Executive Director**	Appointed as a Director in 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.
Mr Peter Rowe, Dip Law (SAB), MAICD **Independent Non-Executive Director**	Appointed as a Director in December 2011. Peter is former partner of and now a consultant at Herbert Smith Freehills, Director of Investa Listed Funds Management Limited, UBS Grocon Real Estate Investment Management Pty Limited and Religare Health Trust Trustee-Manager Pte Ltd, an independent member of the Audit and Risk Management committee of Lend Lease Real Estate Investments and is Chairman of the AMP Capital Compliance Committee.
Mr Rod Fehring, BA, B. App Sci, Grad Dip, AMP (Wharton) **Independent Non-Executive Director**	Appointed as a Director in July 2011. Rod is the Executive General Manager, Residential at Australand Property Group and Chairman of Australian Housing and Urban Research Institute Limited.
Ms Sally Ascroft, BEc LLB **Non-Executive Director**	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 of Mission Australia Housing (Victoria).
Mr Timothy Morris-Smith, BA (Hons), ACA **Non-Executive Director / Secretary**	Appointed as a Director and secretary in May 2009. Tim is Chief Financial Officer of Mission Australia, the parent Company of Mission Australia Housing. A UK Chartered Accountant, Tim has 20 years' experience providing strategic financial leadership and controllership in US, European and Australian companies.
Mr Toby Hall, ICMA, MBA, GAICD **Non-Executive Director**	Appointed as a Director in May 2009. Toby resigned as Director in March 2014 on leaving his role as a Chief Executive Officer of Mission Australia, the parent company of Mission Australia Housing.

2. Company Secretary

Mr Timothy Morris-Smith, ACA was appointed as Company Secretary in May 2009.

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 Evelyn Horton	7	7
Ms Catherine Yeomans*	1	1
Mr Peter Rowe	6	7
Mr Rod Fehring	6	7
Ms Sally Ascroft*	1	1
Mr Timothy Morris-Smith	7	7
Mr Toby Hall**	5	6

* Appointed during the year ** Resigned during the year

4. Corporate governance

The Company, as a controlled entity of Mission Australia, is part of the Mission Australia Group. The Mission Australia Group is committed to high standards of corporate governance and although it has no legal obligation to do so, applies, wherever practicable and relevant, the Corporate Governance Principles and Recommendations established by the Australian Stock Exchange (ASX) Corporate Governance Council. These principles apply to listed companies which have a wide shareholding that Mission Australia Housing does not, and hence the Company applies these principles where it's practicable and relevant to do so. The Company has access to shared governance and management resources of Mission Australia and the Company benefits from the Mission Australia Board Committees. Details of Mission Australia's corporate governance can be found in the Mission Australia and its Controlled Entities 30 June 2014 Annual Financial Report. Within the Mission Australia corporate governance framework, the Company as part of its commitment to high standards of corporate governance also seeks to meet or exceed the National Community Housing Standards including the Governance and Organisational Management Standard.

4.1 Foundations for management and oversight

The Board is accountable to Mission Australia for the pursuit of its Founding Purpose and the performance of the Company.

The role of the Board and the general principles upon which the Company governs its operations are set out in the Governance and Organisational Management Policy and the Mission Australia Housing Relationship Protocol. The Board is responsible for reviewing and monitoring the performance of the Company, the effectiveness and efficiency of management and overseeing the compliance of the Company with relevant legislation and regulations. The Company has committed to work closely with Mission Australia and leverage synergies in order to build and support the ongoing business. The Board is responsible for managing the Company and has agreed to seek approval from Mission Australia for certain matters as set out in the Mission Australia Housing Relationship Protocol which was reviewed and updated in June 2013.

4. Corporate governance (continued)

4.1 Foundations for management and oversight (continued)

The Board utilises Mission Australia's corporate services and management structures for the operational management and performance (financial and otherwise) of the Company. A Mission Australia Senior Manager is contracted to manage the Company in accordance with the strategy, plans and policies approved by the Board to achieve the agreed goals. The Company utilises Mission Australia human resource management systems, policies and procedures to ensure clear and consistent documentation of delegations, reporting arrangements and levels of decision making. A schedule of delegated authority from the Board sets out staff decision-making responsibilities and financial contractual thresholds for appropriate levels throughout the Company. No delegate is permitted to authorise an expenditure that affects them personally. The Board approves all acquisition and disposals of freehold land and buildings and the approval of all lending and granting of security which also requires approval of Mission Australia in accordance with the Mission Australia Housing Relationship Protocol.

The Board assigns responsibility to the Mission Australia Board Committees to oversee particular aspects of the Company's operations and administration in areas such as finance, audit, risk, Board nominations and Senior Management remuneration. Each Committee operates under approved charters that are regularly reviewed by the Mission Australia Board and updated as required.

4.2 Board structure

The Board appoints the Directors, determines their tenure and elects the Chairperson, subject to the approval of Mission Australia as the sole member. The Chairperson's role is articulated in the Governance and Organisational Management Policy. The composition of the Board is reviewed by the MA Board Nomination, Remuneration and Succession Committee of Mission Australia and is comprised of Directors who have the skills and experience to fulfil their obligations as directors of the Company with diligence and judgement. At 30 June 2014, the Board was comprised of six Directors:

- Two Non-Executive Directors independent of the Mission Australia Group;
- One independent Non-Executive Director of Mission Australia; and
- Three executives of Mission Australia, including the Chief Executive Officer of Mission Australia.

The Company has an induction policy to ensure new Board members are fully informed about the specific details, characteristics and culture of the Company and Mission Australia.

4. Corporate governance (continued)

4.3 Ethical and responsible decision making

The Mission Australia Code of Conduct applies to the Board, management and staff of the Company. It specifies behavioural standards necessary to maintain confidence in the Company's integrity and can be accessed at missionaustralia.com.au.

The Code of Conduct outlines expectations for personal and professional behaviour, including how to manage receipt of gifts and benefits and how to resolve a conflict of interest. Conflicts of interest and conduct are specifically mentioned in the Governance and Organisational Management Policy and processes are in place for the Company to evaluate related party transactions and third party contestable transactions. To ensure the Company appropriately manages related party transactions, conflict of interests and probity matters within the Mission Australia Group, two of the directors are independent of the Mission Australia Group.

Directors are required to apply their independent judgement to Board decisions, to question and seek information or raise any issue of concern to them in order to fully canvas all aspects of major issues confronting the Company. Directors are required to keep Board discussion confidential and to support the letter and spirit of Board decisions outside the boardroom.

The Company adopts Mission Australia's Whistle-blower Policy to inquire into and investigate all reports of unethical practices and possible wrongdoing. Details of these are displayed at missionaustralia.com.au.

The Mission Australia Integrity hotline is available to receive reports of wrongdoing within the Company.

The Company has adopted the Mission Australia ethics policy suite that includes a Whistle-blower Policy, Conflict of Interests Policy, Gifts and Benefits Policy as well as a refreshed Fraud Control and Corruption Prevention Policy. A Statement of Enterprise Ethics sets out ethical expectations for people who work for the Company as well as ethical expectations for those dealing with the Company. A Fraud Control Strategy identifies systems and processes that contribute to prevention, detection and responses for fraud.

4.4 Safeguarding integrity in financial reporting

The Mission Australia Board Audit and Risk Committee is responsible for assisting the Board to fulfil their corporate governance responsibilities in relation to its oversight of the:

- Maintenance of an effective framework of risk management, including compliance and internal controls;
- Reliability and integrity of the financial statements and external financial communication;
- Effectiveness of the external audit and internal audit functions; and
- Adequacy of the Company's insurance coverage.

Details of the Mission Australia Board Audit and Risk Committee, its membership and function can be found in the Mission Australia and its Controlled Entities 30 June 2014 Annual Financial Report.

4.5 Recognising and managing risk

The Board is responsible for oversight of material business risk and is assisted by the Mission Australia Board Audit and Risk Committee in this role.

The Company has adopted Mission Australia's risk management framework that is embedded into existing management processes and procedures. The Company has adopted risk and incident escalation procedures set by the Mission Australia Board.

4. Corporate governance (continued)

4.6 Engagement with stakeholders

The Company has many stakeholders, including its sole member Mission Australia, financier, tenants and applicants, those funded to provide services, donors, staff and volunteers, the broader community and suppliers and government agencies that provide the Company with funds and regulate its operations. The Company adopts a consultative approach in dealing with its stakeholders. The Company, together with Mission Australia, is involved in not-for-profit forums, conducts research, receives feedback from forums and regular surveys, and ensures government at all levels are aware of the Company's main concerns and achievements. In addition to the Mission Australia Group annual report, a comprehensive annual report is produced for the Company and is made available publicly.

4.7 Remunerating fairly and responsibly

Three of the six Directors are senior employees of Mission Australia, parent of Mission Australia Housing. Hence, their duties as Directors of this Company are performed as part of their work responsibility as an employee of Mission Australia. The other three Directors serve on a voluntary basis and receive no Directors' fees.

Reimbursement is made to Directors for reasonable expenses directly related to Board activities such as travel, accommodation and meals. The remuneration of the Chief Executive Officer is determined by Mission Australia in line with other senior executives in the Mission Australia Group.

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

The Company reported an underlying operating surplus of $3.4 million for the current financial year (2013: $0.9 million).

In thousands of AUD	**2014**	**2013**
Operating revenue	17,024	14,347
Expenditure	13,615	13,410
Underlying operating surplus	**3,409**	**937**
Revenue from housing grant	4,073	283
Movement in fair value of investment property	1,237	(1,086)
Net surplus	**8,719**	**134**

6. Operating and financial review (continued)

6.1 Operating results (continued)

The operating performance of the Company in 2014 was primarily affected by the increase in average housing stock (owned and managed by the Company) in 2014. The number of dwellings that the Company owned and managed, on average, increased from 1,512 in 2013 to 1,800 in 2014. As a result, following key movements are noted in 2014:

- Increase in Rental revenue of $3.5 million;
- Increase in Repair & Maintenance and Utility expense of $1.4 million;
- Decrease in Personnel expenses of $0.3 million resulting primarily from structural changes during the year;
- Decrease in Management fees charged by Mission Australia of $0.3 million due to reduced allocation of corporate overheads by the parent entity;
- Increase in bad debt expense of $0.3 million as a result of increased arrears from tenants;
- Increase in total cash and cash equivalents of $3.8 million as a result of positive surplus generated during the year plus cash support received from Mission Australia; and
- Increase in revenue from housing grants of $4.1 million resulting from stock transfer of properties in NSW and Tasmania.

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

Between 30 June 2014 and the date of issue of the financial statements, the Company has received capital grants representing the vesting of approximately 561 dwellings from Housing NSW under Tranche 2 of the Nation Building Economic Stimulus Plan (NBESP) scheme. Housing NSW is currently seeking changes to the contractual commitments relating to the vesting of assets under the NBESP scheme, which the Company is currently negotiating.

The Company has also received communication from Housing NSW in regards to its successful application towards vesting of another property in Camperdown, NSW. The application is now awaiting the final approval of the Governor in Executive Council prior to vesting.

In the 2015 financial year, this will have a significant impact in the Company's balance sheet equivalent to the fair value of the properties received. The same amount will be recognised in its income statement as capital grant income.

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.

Premiums were paid for each of the Directors listed on page 3 as disclosed in the Directors' Report.

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.

In AUD	**2014**	**2013**
Auditors of the Company - KPMG:		
Audit and review of financial reports	**52,790**	**51,250**
Services other than statutory audit:		
Other services		
Other assurance services	40,788	15,000
	40,788	**15,000**

12. Performance measurements

The Company monitors its performance against budget and a rolling forecast. The budget is approved by the Board of Directors. 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. Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' Report for financial year ended 30 June 2014.

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.

17. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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

In accordance with the requirements of *Corporation Act 2001* – section 250N, 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:

Evelyn Horton
Chairman

Melbourne, 27 October 2014

Timothy Morris-Smith
Director

Melbourne, 27 October 2014

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 2014 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

KPMG

Anthony Travers
Partner

Sydney

27 October 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Income from rental	8	14,744	11,286
Government contributions and other fees for service income	8	1,796	1,665
Revenue from housing grants - restricted	7	3,833	-
Other government grants		151	820
Change in fair value on investment property		1,237	(1,086)
Other income		520	858
Total revenue for the year		**22,281**	**13,543**
Personnel expenses	9	(2,817)	(3,122)
Utility expenses		(3,295)	(2,725)
Repair and maintenance expenses		(2,640)	(1,771)
Management fees - Mission Australia		(723)	(1,017)
Insurance expenses		(693)	(683)
Legal and other consultancy expenses		(202)	(508)
Depreciation and amortisation expenses	13,14	(478)	(499)
Bad debts expenses		(728)	(414)
Communication expenses		(215)	(289)
Rent expenses		(179)	(243)
Transport and equipment hire expenses		(137)	(237)
Other expenses		(315)	(591)
Total expenses for the year		**(12,422)**	**(12,099)**
Results from operating activities		**9,859**	**1,444**
Finance income		53	1
Finance costs		(1,193)	(1,311)
Net finance costs	10	**(1,140)**	**(1,310)**
Net surplus for the year		**8,719**	**134**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		**(23)**	**87**
Other comprehensive (loss) / income for the year		**(23)**	**87**
Total comprehensive income for the year		**8,696**	**221**
Net surplus attributable to			
Members of the Company		8,719	134
Net surplus for the year		**8,719**	**134**
Total comprehensive income attributable to			
Members of the Company		8,696	221
Total comprehensive income for the year		**8,696**	**221**

The notes on pages 16 to 45 are an integral part of these financial statements.

As at 30 June 2014

In thousands of AUD	Note	2014	2013
Assets			
Cash and cash equivalents	11	4,452	617
Trade and other receivables	15	2,669	1,817
Prepayments	16	611	542
Total current assets		**7,732**	**2,976**
Trade and other receivables	15	2,187	2,187
Property, plant and equipment	13	470	476
Investment property	12	7,193	6,436
Investment property - restricted	12	140,201	135,660
Intangible assets	14	1,218	1,378
Total non-current assets		**151,269**	**146,137**
Total assets		**159,001**	**149,113**
Liabilities			
Trade and other payables	17	1,125	880
Employee benefits	19	137	134
Deferred income		170	834
Total current liabilities		**1,432**	**1,848**
Other payables	17	808	785
Loans and borrowings	18	23,738	22,157
Employee benefits	19	37	33
Total non-current liabilities		**24,583**	**22,975**
Total liabilities		**26,015**	**24,823**
Net assets		**132,986**	**124,290**
Equity			
Cash flow hedging reserves		(808)	(785)
Accumulated surplus - restricted	20	129,915	126,082
Accumulated surplus / (deficit)		3,879	(1,007)
Total equity		**132,986**	**124,290**

For the year ended 30 June 2014

In thousands of AUD	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2012	(872)	126,082	(1,141)	124,069
Total comprehensive income for the year				
Surplus	-	-	134	134
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	87	-	-	87
Total other comprehensive income	87	-	-	87
Total comprehensive income for the year	87	-	134	221
Balance at 30 June 2013	**(785)**	**126,082**	**(1,007)**	**124,290**
Balance at 1 July 2013	(785)	126,082	(1,007)	124,290
Total comprehensive income for the year				
Surplus	-	3,833	4,886	8,719
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	(23)	-	-	(23)
Total other comprehensive loss	(23)	-	-	(23)
Total comprehensive (loss) / income for the year	(23)	3,833	4,886	8,696
Balance at 30 June 2014	**(808)**	**129,915**	**3,879**	**132,986**

For the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		16,152	14,423
Cash paid to suppliers and employees		(12,403)	(12,217)
Cash generated from operations		**3,749**	**2,206**
Interest received		53	-
Interest paid		(1,174)	(1,212)
Net cash from operating activities	11	**2,628**	**994**
Cash flows from investing activities			
Proceeds from fixed assets		28	-
Payments for fixed assets and investment properties	12,13	(118)	(77)
Payments for intangible assets	14	(205)	(246)
Net cash used in investing activities		**(295)**	**(323)**
Cash flows from financing activities			
Proceeds from borrowings - parent		1,502	-
Repayment of borrowings - parent		-	(400)
Proceeds from bank borrowings		-	313
Net cash from / (used in) financing activities		**1,502**	**(87)**
Net increase in cash and cash equivalents		3,835	584
Cash and cash equivalents at 1 July		617	33
Cash and cash equivalents at 30 June	11	**4,452**	**617**

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

2.1 Statement of compliance

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 27 October 2014.

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

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

2.4 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.

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

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 2014 are included in the following notes:

- Note 5 – *Financial Risk Management*
- Note 12 – *Investment Property*

2. Basis of preparation (continued)

2.4 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 market observable 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 5 - *Financial Risk Management*
- Note 12 - *Investment Property*

2. Basis of preparation (continued)

2.5 Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 13 - *Fair Value Measurement*
- AASB 119 - *Employee Benefits*

i. Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, the Company has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

ii. Employee benefits

As a result of AASB 119, the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its short term employee benefits.

3. Significant accounting policies

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

3.1 Financial instruments

i. Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred 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.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

i. Non-derivative financial assets (continued)

The Company has the following non-derivative financial assets: financial assets at fair value through profit and or loss, trade and other receivables and cash and cash equivalents.

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. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the *Statement of Cash Flows*.

Cash and cash equivalents also includes Sinking Funds. 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.

ii. Non-derivative financial liabilities

The Company initially recognises debt securities and subordinated liabilities issued, on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially 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.

iii. Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposures when applicable. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instruments is not measured at fair value through profit or loss.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

iii. Derivative financial instruments, including hedge accounting (continued)

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk-management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 to 125 per cent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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.

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 accumulate in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged 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 balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separate embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivative

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

3.2 Property, plant and equipment

i. Recognition and measurement

Property plant and equipment are assets that are used by the Company in the ordinary course of the business, for use in production, supply of goods and services or for administrative purposes.

3. Significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

i. Recognition and measurement (continued)

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

When the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

When the carrying amount of a class of assets decreases as a result of a revaluation, the net revaluation decrease is recognised in profit or loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in any revaluation surplus in respect of that same class of asset. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated surplus.

Leasehold improvement, plant and equipment and IT assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to accumulated surplus.

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and, its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. 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.

3. Significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

iii. Depreciation (continued)

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.

iv. Reclassification of investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised immediately in profit or loss.

3.3 Intangible assets

i. Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortisation and accumulated impairment losses.

ii. 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.

iii. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits in the asset. 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 5 years

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

3. Significant accounting policies (continued)

3.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production, supply of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value (see Note 12) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

In regards to the application of this policy to the assets of the Company, detailed disclosure is made within the notes to the financial statements. This includes any specific terms relating to the ownership of those assets.

3.5 Leased assets

Assets held by the Company under leases that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Company's *Statement of Financial Position*. Investment property held under an operating lease is recognised on the Company's *Statement of Financial Position* at its fair value.

3.6 Impairment

i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include 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 or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3. Significant accounting policies (continued)

3.6 Impairment (continued)

i. Non-derivative financial assets (continued)

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

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. Goodwill and intangible assets that have indefinite useful lives, are tested annually for impairment.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). For goodwill impairment testing, subject to an operating segment ceiling test, CGU's are aggregated to reflect the lowest level at which management review the goodwill. Goodwill arising from a business combination is allocated to CGU's or groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. Significant accounting policies (continued)

3.7 Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

ii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and 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.

iii. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

iv. 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.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

i. Restructuring

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

3. Significant accounting policies (continued)

3.9 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.

3.10 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.

3.11 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, 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, 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 charge on the liability is recognised using the Company's incremental borrowing rate.

3.12 Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3. Significant accounting policies (continued)

3.12 Finance income and expense (continued)

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

3.13 Income tax

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

3.14 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the *Statement of Cash Flows* on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3.15 New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. Those that may be relevant to the company are set out below. The company does not plan to adopt these standards early.

i. AASB 9 Financial Instruments (2013), AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009) (together AASB 9)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets.

AASB 9 (2013) introduces new requirements for hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2017. The effective date is subject to review pending the finalisation of the outstanding phases of the standard. However, early adoption is permitted. The adoption of these standards is expected to have an impact on the Company's financial assets, but no impact on the Company's financial liabilities. The Company has not yet determined the impact on its hedging arrangements.

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 Land and buildings

The fair value of land and buildings is based on market values. The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of 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, prudently and without compulsion.

4. Determination of fair values (continued)

4.2 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.

4.3 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.

4.4 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 at least one-third of the Company's investment property portfolio annually. Properties selected for annual valuation are selected on a rotational basis to ensure each property is valued 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.

5. Financial risk management

5.1 Overview

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

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

5.2 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 risk management framework 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.

5.3 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 securities.

5. Financial risk management (continued)

5.3 Credit risk (continued)

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.

ii. Investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties which have very high credit ratings.

5.4 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.

5.5 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.

5.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

5. Financial risk management (continued)

5.6 Operational risk (continued)

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documents of control and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management and recommendations are agreed to with a time frame for implementation. Internal Audit reports are provided to Mission Australia Board Audit and Risk Committee.

5.7 Exposure to credit risk

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:

		Carrying amount	
In thousands of AUD	**Note**	**2014**	**2013**
Receivables from related parties	15	2,187	2,187
Trade and other receivables	15	2,669	1,817
		4,856	**4,004**

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

	Carrying amount	
In thousands of AUD	**2014**	**2013**
Governments	1,931	1,269
Other customers	738	548
Other related parties	2,187	2,187
	4,856	**4,004**

5. Financial risk management (continued)

5.7 Exposure to credit risk (continued)

i. Impairment losses

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

In thousands of AUD	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	2,102	-	1,551	-
Past due 0-30 days	284	-	163	-
Past due 31-120 days	283	-	103	-
	2,669	**-**	**1,817**	**-**

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	2014	2013
Receivable from State and Federal governments (low risk)	1,931	1,269
Receivable from related parties (low risk)	2,187	2,187
Other customer:		
Four or more years trading history with the Company	-	-
Less than four years of trading history with the Company	738	548
	4,856	**4,004**

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. $0.7 million from other customers mainly represents balance only from tenants. This balance is net of provision for doubtful debts of $1.1 million.

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

5. Financial risk management (continued)

5.8 Exposure to liquidity risk

The Company uses interest rate swaps to hedge against the risk of variable interest rates. The following are the contractual maturities of financial liabilities, including estimated interest payments. Contractual amounts are expected payments which have not been discounted.

In thousands of AUD **2014**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Financial liabilities					
Trade and other payables	1,933	1,933	1,125	-	808
Loans and Borrowings	23,738	27,986	531	531	26,924
	25,671	**29,919**	**1,656**	**531**	**27,732**
Derivative financial liabilities					
Interest rate swap used for hedging	**808**	**808**	**-**	**-**	**808**
2013					
Financial liabilities					
Trade and other payables	1,665	1,665	880	-	785
Loans and Borrowings	22,157	27,343	762	762	25,819
	23,822	**29,008**	**1,642**	**762**	**26,604**
Derivative financial liabilities					
Interest rate swap used for hedging	785	785	-	-	785

The following table indicates 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.

2014 *In thousands of AUD*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Interest rate swaps					
Liabilities	808	808	-	-	808

2013 *In thousands of AUD*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Interest rate swaps					
Liabilities	785	785	-	-	785

The following table indicates 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.

5. Financial risk management (continued)

5.8 Exposure to liquidity risk (continued)

2014 *In thousands of AUD*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
Interest rate swaps					
Liabilities	808	808	-	-	808

2013 *In thousands of AUD*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
Interest rate swaps					
Liabilities	785	785	-	-	785

5.9 Exposure to currency risk

The Company is not exposed to any currency risk.

5.10 Exposure to interest rate risk

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

2014 *In thousands of AUD*	Carrying amount $	Average %	*Interest rate range* From %	To %
Fixed rate instruments				
Financial liabilities				
- Bank loans	15,535	6.4	6.4	6.4
- Loan from parent	7,238	9.0	9.0	9.0
	22,773			
Variable rate instruments				
Financial liabilities				
- Loans and borrowings	965	4.2	4.2	4.4
	965			

2013 *In thousands of AUD*	Carrying amount $	Average %	*Interest rate range* From %	To %
Fixed rate instruments				
Financial liabilities				
- Bank loans	15,675	6.6	6.6	6.6
- Loan from parent	5,657	8.0	8.0	8.0
	21,332			
Variable rate instruments				
Financial liabilities				
- Loans and borrowings	825	4.4	4.4	4.4
	825			

5. Financial risk management (continued)

5.10 Exposure to interest rate risk (continued)

i. 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 $227,730 (2013: $213,320).

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 (2013: $8,250).

5.11 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:

In thousands of AUD	Note	2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	11	4,452	4,452	617	617
Trade and other receivables	15	4,856	4,856	4,004	4,004
Trade and other payables	17	(1,933)	(1,933)	(1,665)	(1,665)
Loans and Borrowings	18	(23,738)	(23,738)	(22,157)	(22,157)
Interest rate swap used for hedging		(808)	(808)	(785)	(785)
		(17,171)	**(17,171)**	**(19,986)**	**(19,986)**

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

5.12 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 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate swap used for hedging	-	(808)	-	**(808)**
	-	**(808)**	**-**	**(808)**

30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate swap used for hedging	-	(785)	-	**(785)**
	-	**(785)**	**-**	**(785)**

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.

6. Reclassification of comparative figures

Comparative figures disclosed in the following notes have been reclassified. The reclassification and disclosure complies with all applicable recognition, measurement and disclosure requirements of the AASBs.

Note 5 - *Financial risk management*

Note 18 - *Loans and Borrowings*

7. 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	2014	2013	2012-10	Total
SHGF grant received*	-	-	16,925	16,925
Fair value of properties received under NBESP **	3,833	-	109,157	112,990
Fair value of properties received - BHF***	240	283	-	523
Total grant received	**4,073**	**283**	**126,082**	**130,438**

* *Social Housing Growth Fund*

** *Nation Building Economic Stimulus Plan*

*** *Better Housing Futures*

7.1 Social Housing Growth Fund grant (SHGF)

Mission Australia Housing received grants in past from the New South Wales Land and Housing Corporation (the Corporation) (2011: $2.0 million; 2010: $14.9 million) to purchase properties that could be affordably rented by people in need (referred to as the SHGF grant from this point).

One of the grant conditions provided that Mission Australia Housing secures additional finance worth $14.0 million by using the properties purchased from the SHGF grant as a security. In 2011, Mission Australia Housing entered into a $14.0 million loan facility agreement with our bankers. This facility remains fully drawn.

7.2 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 Nation Building Stage 2 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under Stage 2 of the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative. Per the requirement of this tender, successful applicants were to receive title to a given number of units and, in return, were required to:

- deliver property and management services to clients eligible for public housing, including people with high-level housing needs;
- allocate the accommodation to particular client groups in accordance with specified target quotas;
- use the properties to leverage financial resources in partnership with private sector institutions; and
- use those resources to create additional affordable housing targeted towards low to moderate income households experiencing housing stress.

Mission Australia Housing received title to 494 of these units (as first instalment) in April 2011 with the remaining 561 dwellings vested on 11 July 2014.

7. Housing grants (continued)

7.3 Better Housing Futures

In 2012 the Tasmanian Government, under the Department of Health and Human Services released a request for tenders entitled Better Housing Futures Stage 1. This program is part of a state initiative to provide quality social housing and also to rejuvenate the neighbourhoods of Clarendon Vale and Rokeby, north of Hobart. Mission Australia Housing was named the successful tenderer in December 2012 and commenced program operations on 18 March 2013 under two separate agreements with the Department of Health and Human Services. The housing grants were received under the Sale and Development Agreement that Mission Australia Housing signed with Department of Health and Human Services, Tasmania.

This agreement outlines a strategy and timetable for the Department of Health and Human Services to transfer approximately 176 vacant lots in the Clarendon Vale and Rokeby area to Mission Australia Housing in order to:

- Provide a source of revenue through staged land sales for Mission Australia Housing to meet the costs of expenditure (including the property upgrade program) to manage and maintain the social housing portfolio (the subject of Residential Management Agreement);
- to deliver property upgrades; and
- to increase supply of social and affordable housing.

The NBESP and SHGF 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.

8. Revenue

In thousands of AUD	**2014**	**2013**
Revenue from rendering services		
Rental revenue from housing services	14,744	11,286
Government contribution - rent	1,660	1,572
Fee for service income	38	15
Management fees	98	78
	16,540	**12,951**

9. Personnel expenses

In thousands of AUD	**2014**	**2013**
Wages and salaries	2,358	2,542
Other associated personnel expenses	249	369
Contributions to defined contribution plans	210	211
	2,817	**3,122**

10. Finance income and finance costs

In thousands of AUD	**2014**	**2013**
Recognised in profit or loss		
Interest income	53	1
Finance income	53	1
Interest expense	(1,193)	(1,311)
Finance expense	(1,193)	(1,311)
Net finance costs recognised in (deficit)	**(1,140)**	**(1,310)**
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	53	1
Total interest expense on financial liabilities	(1,193)	(1,311)

11. Cash and cash equivalents

In thousands of AUD	**2014**	**2013**
Bank balances	2,863	95
Cash at bank - Sinking fund	1,589	522
Cash and cash equivalents in the statement of cash flows	**4,452**	**617**

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.

11. Cash and cash equivalents (continued)

11.1 Reconciliation of cash flow from operating activities

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Surplus for the year		8,719	134
Adjustments for:			
Depreciation of property, plant and equipment	13	113	158
Amortisation of intangible assets	14	365	341
Gain on sale of fixed assets		(5)	-
Interest payable		79	-
NBESP non-cash income	7	(3,833)	-
Non-cash grant		(240)	-
Fair value of properties received - BHF	7	-	(283)
Change in fair value of investment property	12	(1,237)	1,086
		3,961	1,436
Operating profit before changes in working capital and provisions			
Change in trade and other receivables	15	(852)	(745)
Change in prepayments	16	(69)	(382)
Change in trade and other payables	17	245	346
Change in employee benefits	19	7	33
Change in deferred income		(664)	306
Net cash generated from operations		**2,628**	**994**

12. Investment property

In thousands of AUD	*Owned Properties*	*Purchased from SHGF**	*Received under NBESP***	*Total*
Fair value		---------Restricted---------		
Balance at 1 July 2012	5,621	29,723	107,221	142,565
Purchased	-	3	16	19
Received as property transfer	315	-	-	315
Received as grants	283	-	-	283
Change in fair value	217	401	(1,704)	(1,086)
Balance at 30 June 2013	6,436	30,127	105,533	142,096
Balance at 1 July 2013	6,436	30,127	105,533	142,096
Purchased	10	-	1	11
Received as property transfer	248	-	3,833	4,081
Disposal	(31)	-	-	(31)
Change in fair value	530	3,721	(3,014)	1,237
Balance at 30 June 2014	**7,193**	**33,848**	**106,353**	**147,394**

* *Social Housing Growth Fund*

** *Nation Building Economic Stimulus Plan*

12. Investment property (continued)

Please refer to Note 7 – *Housing grants* for more background information on assets purchased from Social Housing Growth Fund (SHGF) and assets received under Nation Building Economic Stimulus Plan (NBESP).

Assets purchased from SHGF 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.

12.1 Valuations 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 individual residential dwellings. Hence, in determining the fair value of these Investment Properties where separate title is not yet available, the Directors have allowed for costs that will be incurred to obtain such title.

12.2 Security

At 30 June 2014 Investment Properties with a carrying amount of $38.6 million (2013: $34.2 million) are subject to a mortgage to secure bank loans (see Note 18).

13. Property, plant and equipment

In thousands of AUD ***Cost* Value**	*WIP*	*Leasehold Improvement*	*IT Assets*	*Plant and Equipment*	*Total*
Balance at 1 July 2012	-	371	82	248	701
Additions	13	-	-	45	58
Balance at 30 June 2013	13	371	82	293	759
Balance at 1 July 2013	13	371	82	293	759
Additions	-	83	-	24	107
Balance at 30 June 2014	**13**	**454**	**82**	**317**	**866**

Depreciation	*WIP*	*Leasehold Improvement*	*IT assets*	*Plant and Equipment*	*Total*
Balance at 1 July 2012	-	78	34	13	125
Depreciation	-	62	41	55	158
Balance at 30 June 2013	-	140	75	68	283
Balance at 1 July 2013	-	140	75	68	283
Depreciation	-	66	7	40	113
Balance at 30 June 2014	**-**	**206**	**82**	**108**	**396**
At 1 July 2012	-	293	48	235	576
At 30 June 2013	13	231	7	225	476
At 1 July 2013	13	231	7	225	476
At 30 June 2014	**13**	**248**	**-**	**209**	**470**

14. Intangible assets

In thousands of AUD	*Computer Software*	*Total*
Balance at 1 July 2012	1,564	1,564
Additions	246	246
Balance at 30 June 2013	**1,810**	**1,810**
Balance at 1 July 2013	1,810	1,810
Additions	205	205
Balance at 30 June 2014	**2,015**	**2,015**

Amortisation	*Computer Software*	*Total*
Balance at 1 July 2012	91	91
Depreciation	341	341
Balance at 30 June 2013	**432**	**432**
Balance at 1 July 2013	432	432
Depreciation	365	365
Balance at 30 June 2014	**797**	**797**
Carrying amounts		
At 1 July 2012	1,473	1,473
At 30 June 2013	**1,378**	**1,378**
At 1 July 2013	1,378	1,378
At 30 June 2014	**1,218**	**1,218**

15. Trade and other receivables

In thousands of AUD	**2014**	**2013**
Current		
Trade receivables	2,669	1,817
	2,669	1,817
Non-current		
Other receivables - related parties	2,187	2,187
	4,856	**4,004**

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 5.

16. Prepayments

In thousands of AUD	2014	2013
Current		
Prepayments	611	542

17. Trade and other payables

In thousands of AUD	2014	2013
Current		
Trade payables	1,125	880
Non-current		
Other payable	808	785
	808	785
Total	1,933	1,665

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 5.

18. 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 5.

In thousands of AUD	2014	2013
Non-current		
Bank loans	16,500	16,500
Loan from Parent	7,238	5,657
	23,738	22,157

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

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.

Terms and conditions of outstanding loans were as follows:

				30 June 2014		30 June 2013	
In thousands of AUD	Currency	Average interest rate	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	6.4%	2018	16,500	16,500	16,500	16,500
Unsecured loan from parent	AUD	9.0%	NA	7,238	7,238	5,657	5,657
Total interest-bearing liabilities				23,738	23,738	22,157	22,157

The secured bank loans are secured over investment properties with carrying amount of $38.6 million (2013: $34.2 million).

19. Employee benefits

In thousands of AUD	2014	2013
Current		
Liability for annual leave	137	134
	137	**134**
Non-current		
Liability for long service leave	37	33
	37	**33**

20. Capital and reserves

20.1 Hedging reserve

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

20.2 Accumulated surplus

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

20.3 Accumulated surplus - restricted

Restricted Accumulated surplus relates to SHGF and NBESP grants. Please refer to Note 7 *Housing grants* for more details. The Company has recognised additional restricted accumulated surplus of $3.8 million (2013: Nil) in current financial year.

In thousands of AUD	2014	2013
Opening balance	126,082	126,082
Fair value of properties received under NBESP	3,833	-
	129,915	**126,082**

21. Operating lease

21.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2014	2013
Less than one year	206	209
Between one and five years	788	797
More than five years	69	264
	1,063	**1,270**

During the year ended 30 June 2014, $0.36 million (2013: $0.24 million) was recognised as an expense in the profit or loss in respect of operating leases. The Company does not have any finance lease arrangement at 30 June 2014.

21. Operating lease (continued)

21.2 Leases as lessor

The Company leases out its investment properties (see Note 12). The future minimum lease receipts under non-cancellable leases are as follows:

In thousands of AUD	2014	2013
Less than one year	166	2,235
Between one and five years	-	-
	166	**2,235**

During the year, $14.7 million (2013: $11.3 million) was recognised as rental income in profit or loss.

22. Capital and other commitments

22.1 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.

22.2 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to facilitate this obligation, it sets aside cash resources. Refer to Note 11 *Cash and Cash Equivalents* which shows $1.6 million (2013: $0.5 million) set aside in Sinking Funds to meet future periodic repair and maintenance requirements.

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.

23. Related parties

23.1 Key management personnel compensation

The key management personnel compensation included in 'Personnel expenses' (see Note 9) is as follows:

In AUD	2014	2013
Short-term employee benefits	181,983	184,321
Long-term benefits	644	844
Post-employment benefits	15,763	17,846
Termination Benefits	-	83,151
	198,390	**286,162**

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.

23.2 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. Three of the six Directors are senior employees of Mission Australia, the parent of Mission Australia Housing. Hence, their duties as Director of this Company are performed as part of their work responsibility as an employee of Mission Australia.

Amounts reported in this note relate 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.

24. 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.

25. Subsequent events

Between 30 June 2014 and the date of issue of the financial statements, the Company has received capital grants representing the vesting of approximately 561 dwellings from Housing NSW under Tranche 2 of the Nation Building Economic Stimulus Plan (NBESP) scheme Housing NSW is currently seeking changes to the contractual commitments relating to the vesting of assets under the NBESP scheme, which the Company is currently negotiating.

The Company has also received communication from Housing NSW in regards to its successful application towards vesting of another property in Camperdown, NSW. The application is now awaiting the final approval of the Governor in Executive Council prior to vesting.

In the 2015 financial year, this will have a significant impact in Company's balance sheet equivalent to the fair value of the properties received. The same amount will be recognised in its income statement as capital grant income.

There have been no other events subsequent to the statement of financial position date, which would have a material effect on the Company's financial statements at 30 June 2014.

26. Auditors' remuneration

in AUD	**2014**	**2013**
Amounts paid or payable to auditor of the Company - KPMG Australia		
Audit of financial reports	52,790	51,250
Other Services		
Auditors of the Company	40,788	15,000

27. 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.

Directors' Declaration

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

a) the financial statements and notes set out on pages 12 to 45 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 2014 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:

Melbourne, 27 October 2014.

Evelyn Horton
Chairman

Timothy Morris-Smith
Director

KPMG

Independent auditor's 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 2014, and 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 27 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* (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. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

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 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2014 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

KPMG

Anthony Travers

Anthony Travers
Partner

Sydney

27 October 2014