

**MISSION
AUSTRALIA**

Together we stand

Mission Australia Housing Annual Financial Report 2019

ABN 13 003 68 3261



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Directors' Report

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The Directors present their report for Mission Australia Housing (the Company) for the financial year ended 30 June 2019 and the auditor's report thereon.

1. Directors

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

Name and qualifications and status	Experience, special responsibilities and other Directorships
Mr James Toomey MSc, MBA, GAICD	Appointed as Chairman on 28 November 2017 and as a Director on 17 September 2015. James is Chief Executive Officer at Mission Australia, the parent Company of Mission Australia Housing. James joined Mission Australia in 2010 as National Manager Community Services Operations and subsequently became Executive, Operations and Fundraising in May 2014. A qualified Social Worker, he has extensive experience in children and family services. James is a Director of Mission Australia Housing (Victoria), Mission Australia Housing Partnership Limited, Mission Australia Early Learning, Mission Australia Services and Mission Australia Capital Fund Pty Ltd.
Ms Sally Ascroft BEC LLB, GAICD	Appointed as a Director on 21 March 2014. Sally has over 25 years' legal experience, is a former partner of King Wood Mallesons and former General Counsel and Company Secretary of The Trust Company. Sally is a Director and Secretary of Mission Australia Housing (Victoria) and Mission Australia Services. She is Company Secretary of Mission Australia, Mission Australia Early Learning, Mission Australia Housing Partnership Limited and Mission Australia Capital Fund Pty Ltd.
Mr Chris Bratchford LLB, MBA, GAICD	Appointed as a Director on 17 September 2015. Chris joined Mission Australia in January 2015 and is Executive Housing. Prior to joining Mission Australia Housing, Chris worked in leadership roles across the not-for-profit and commercial sectors both nationally and internationally. Chris previously held roles as CEO of Argyle Community Housing, COO of Lake Maintenance, COO and CFO of Avant and CEO of Ample, a London-based financial services business. Chris is a Director of Mission Australia Housing (Victoria) and Mission Australia Housing Partnership Limited, as well Power Housing Australia (an Industry Association).
Mr Iain Keddie BSc (Hons), FCA, GAICD	Appointed as a Director on 19 November 2014 after having joined Mission Australia as Chief Financial Officer. Previously, Iain has been CFO and Executive of listed and private companies and has worked in London and Sydney for PricewaterhouseCoopers and Ernst & Young. Iain is also a Director of Mission Australia Housing (Victoria), Mission Australia Early Learning, Mission Australia Services, Mission Australia Housing Partnership Limited and Mission Australia Capital Fund Pty Ltd.

Directors' Report

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1. Directors (Continue)

Name and qualifications and status	Experience, special responsibilities and other Directorships
Ms Marion Bennett BA (Hons) GAICD	Appointed as a Director on 6 February 2018, Marion is Executive, Practice, Quality and Performance having joined Mission Australia in 2015 as Head of Policy & Advocacy. Marion was formerly Executive Director of Housing Policy and Homelessness in the Department of Family and Community Services, she led housing and homelessness policy, inter-governmental negotiations, research, and delivery of affordable housing and homelessness programs. Marion is also a Director of Mission Australia Housing (Victoria).

All Directors of the Company are executives or senior management employees of Mission Australia. No Director of Mission Australia Housing has received or become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which they are a member, or with a Company in which the Director has a substantial financial interest.

2. Company Secretary

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

3. Directors' meetings

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

Director	Number of meetings attended	Number of meetings held during the time the Director held office during the year
Mr James Toomey	6	6
Ms Sally Ascroft	5*	6
Mr Iain Keddle	6	6
Mr Chris Bratchford	6	6
Ms Marion Bennett	5*	6

* Granted leave of absence

Directors' Report

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4. Corporate governance

The Company and its parent Mission Australia are committed to proper and effective corporate governance arrangements. The Company has access to shared governance and management resources of Mission Australia and benefits from the Mission Australia Board Committees including the Mission Australia Housing Committee and Board Audit and Risk Committee. As a registered charity regulated by Australian Charities and Not-for-profit Commission (ACNC), the Company applies the ACNC Governance Standards. As a registered community housing provider, the Company is regulated by the Registrar of Community Housing (NSW) under the National Regulatory System for Community Housing and is required to comply with the National Law, including the National Regulatory Code. Within the Mission Australia corporate governance framework, Mission Australia Housing as part of its commitment to good standards of corporate governance also seeks to meet or exceed the National Regulatory Code Governance and Probity Performance Requirements.

The Mission Australia's full corporate Governance Statement is available on the Mission Australia website at missionaustralia.com.au.

5. Principal activities and objectives

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

The affordable housing program is available for eligible individuals, couples and families on low to moderate incomes who are having difficulty securing housing in the private rental market. Rent is set at 75 - 80 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. Under this program, rent is set at 25% of a tenant's income plus 100% of their Commonwealth Rent Assistance (CRA) payment entitlement.

6. Operating and financial review

6.1 Operating results

In thousands of AUD

	2019	2018
Operating revenue	21,990	20,472
Expenditure	25,047	21,068
Underlying operating (deficit)	(3,057)	(596)
Revenue from housing grant	1,035	188
Movement in fair value of investment property	(15,080)	7,967
Net (deficit)/ surplus	(17,102)	7,559

The Company reported an underlying operating deficit of (\$3.1) million for the current financial year (2018: (\$0.6) million). The Company revalued its portfolio of investment properties in accordance with policy resulting in a decrease of \$15.1 million being recorded.

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.

Directors' Report

Annual Financial Report 30 June 2019 | Mission Australia Housing

7. Events subsequent to reporting date

In July 2019 Mission Australia Housing commenced operation of the Coffs Harbour / Bellingen package under the NSW Government Social Housing Management Transfer Program. The transfer will result in the management of over 1,050 social housing dwellings for a 20-year term.

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

8. Likely developments

Mission Australia Housing is in a consortium with Frasers Property Group to develop a new mixed tenure community in Sydney's Macquarie Park which will ultimately, deliver 950 new social housing dwellings over a 10-year period with the first social housing and services not expected to be active until FY2022.

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

9. Indemnification and insurance of officers and Directors

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

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

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

10. Performance measurements

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

11. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for financial year ended 30 June 2019.

12. Registered office

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

13. Founder

The Company was founded by its parent, Mission Australia.

Directors' Report

Annual Financial Report 30 June 2019 | Mission Australia Housing

14. 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.

15. Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, amounts in the financial statements and Directors' Reports have been rounded off to the nearest thousand dollars otherwise stated.

16. Annual General Meeting

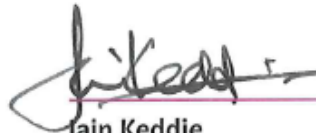
The Company is not required to hold an Annual General Meeting as it only has one member.

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



James Toomey
Chairman

Sydney, 18 October 2019



Iain Keddie
Director

Sydney, 18 October 2019



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 2019 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

Stephen Isaac

Partner

Sydney

18 October 2019

Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2019 | Mission Australia Housing

For the year ended 30 June 2019

In thousands of AUD

	Note	2019	2018
Revenue from rental	3	18,450	17,995
Government contributions and other fees for revenue	3	1,923	2,023
Revenue from housing grants	3	1,035	188
Other government grants	3	1,022	65
Change in fair value on investment property	3	(15,080)	7,967
Other revenue	3	414	185
Total revenue for the year		7,764	28,423
Personnel expenses	14	(5,924)	(4,762)
Utility expenses		(3,640)	(3,580)
Repair and maintenance expenses		(6,169)	(5,473)
Management fees - Mission Australia		(1,010)	(1,160)
Insurance expenses		(777)	(751)
Legal and other consultancy expenses		(1,841)	(756)
Depreciation and amortisation	5	(48)	(51)
Impairment loss on trade receivables		(495)	(324)
Communication expenses		(275)	(192)
Rent expenses		(480)	(276)
Transport and equipment hire expenses		(429)	(233)
Other expenses		(1,922)	(1,594)
Total expenses for the year		(23,010)	(19,152)
Results from operating activities		(15,246)	9,271
Finance income		181	204
Finance costs		(2,037)	(1,916)
Net finance costs	12	(1,856)	(1,712)
Net Surplus / (deficit) for the year		(17,102)	7,559
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(82)	703
Other comprehensive loss for the year		(82)	703
Total comprehensive income / (loss) for the year		(17,184)	8,262

The notes on pages 12 to 26 are an integral part of these financial statements.

Statement of Financial Position

Annual Financial Report 30 June 2019 | Mission Australia Housing

As at 30 June 2019

In thousands of AUD

	Note	2019	2018
Assets			
Cash and cash equivalents	11	3,822	9,645
Investments	8	3,000	4,082
Trade and other receivables	7	2,445	1,000
Prepayments		627	639
Total current assets		9,894	15,366
Trade and other receivables	7	2,247	2,253
Property, plant and equipment	5	149	63
Investment property - unrestricted	4	33,914	28,375
Investment property - restricted	4	381,293	393,762
Total non-current assets		417,603	424,453
Total assets		427,497	439,819
Liabilities			
Trade and other payables		2,096	2,032
Employee benefits		469	329
Loans and borrowings	9	26,930	-
Deferred income		134	360
Total current liabilities		29,629	2,721
Other payables		1,525	852
Loans and borrowings	9	18,039	40,797
Employee benefits		117	78
Total non-current liabilities		19,681	41,727
Total liabilities		49,310	44,448
Net assets		378,187	395,371
Equity			
Cash flow hedging reserves		(360)	(278)
Accumulated surplus - restricted	10	315,906	314,871
Accumulated surplus		62,641	80,778
Total equity		378,187	395,371

Statement of Changes in Equity

Annual Financial Report 30 June 2019 | Mission Australia Housing

For the year ended 30 June 2019

<i>In thousands of AUD</i>	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2017	(981)	314,683	73,407	387,109
Total comprehensive income for the year				
Surplus	-	188	7,371	7,559
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	703	-	-	703
Total comprehensive (loss) / income for the year	703	188	7,371	8,262
Balance at 30 June 2018	(278)	314,871	80,778	395,371
Balance at 1 July 2018	(278)	314,871	80,778	395,371
Total comprehensive income/(loss) for the year				
Surplus / (Deficit)	-	1,035	(18,137)	(17,102)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	(82)	-	-	(82)
Total comprehensive (loss) / income for the year	(82)	1,035	(18,137)	(17,184)
Balance at 30 June 2019	(360)	315,906	62,641	378,187

Statement of Cash Flows

Annual Financial Report 30 June 2019 | Mission Australia Housing

For the year ended 30 June 2019

In thousands of AUD

	Note	2019	2018
Cash flows from operating activities			
Cash receipts from customers		18,072	22,807
Cash paid to suppliers and employees		(21,254)	(20,367)
Cash from operations		(3,182)	2,440
Interest received		181	197
Interest paid		(1,091)	(1,222)
Net cash (used in) / from operating activities		(4,092)	1,415
Cash flows from investing activities			
Proceeds from fixed assets		55	41
Payments for fixed assets and investments		(3,860)	(2,549)
Net cash (used in) investing activities		(3,805)	(2,508)
Cash flows from financing activities			
Payment to borrowings - parent		(1,926)	4,081
Proceeds from bank borrowings		4,000	-
Net cash from financing activities		2,074	4,081
Net increase in cash and cash equivalents		(5,823)	2,988
Cash and cash equivalents at 1 July		9,645	6,657
Cash and cash equivalents at 30 June	11	3,822	9,645

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

About this report

1. Reporting entity

Mission Australia Housing (the Company) is a Company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW, 2000, Australia. The Company is a not-for-profit entity and exists for the public charitable purposes of providing relief of poverty, sickness, destitution, helplessness and distress to people with low incomes by the provision of high quality housing solutions that enables Australians in need to participate in their communities.

2. Basis of preparation

- The financial report is Tier 2 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*. This is the first set of the company annual financial statements in which AASB 9 Financial Instruments have been applied.
- 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 13. The financial report has been prepared on a going concern basis.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

Our key numbers

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

3. Revenue

In thousands of AUD

Revenue from rendering services

Rental revenue from housing services

Government contribution - rent

Fee for service income

Management fees

Revenue from housing grants

Other government grants

Change in fair value on investment property

Other miscellaneous revenue

	2019	2018
	18,450	17,995
	1,838	1,914
	15	42
	70	67
	20,373	20,018
	1,035	188
	1,022	65
	(15,080)	7,967
	414	185
	7,764	28,423

Accounting policy

Revenue from housing services

Rental revenue from housing services is recognised in profit or loss upon the delivery of social and affordable housing services to the customer, being people in need.

Revenue from housing grants

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

Government grants

All unconditional government grants are recognised in profit or loss as other revenue 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 revenue 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 revenue on a systematic basis over the useful life of the asset.

Change in Fair Value of Investment Properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

Our assets platform

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

4. Investment property

	<i>Unrestricted</i>		<i>Restricted</i>		<i>Total</i>
	<i>Owned Properties</i>	<i>Purchased from SHGF</i>	<i>Received under NBESP</i>	<i>Common Ground</i>	
<i>In thousands of AUD</i>					
Fair value					
Balance at 1 July 2017	24,237	44,363	303,487	39,000	386,850
Purchased	2,549	-	-	-	-
Received as property transfer	594	-	-	-	-
Disposal	(60)	-	-	-	-
Change in fair value	1,055	567	6,345	-	6,912
Balance at 30 June 2018	28,375	44,930	309,832	39,000	393,762
Balance at 1 July 2018	28,375	44,930	309,832	39,000	393,762
Purchased	7,797	-	-	-	-
Received as property transfer	1,035	-	-	-	-
Disposal	(682)	-	-	-	-
Change in fair value	(2,611)	(2,537)	(8,762)	(1,170)	(12,469)
Balance at 30 June 2019	33,914	42,393	301,070	37,830	381,293

Unrestricted Properties

Mission Australia Housing Unrestricted Owned Properties include investment properties which have no restrictions on them.

Social Housing Growth Fund grant (SHGF)

Mission Australia Housing received grants in the past from the New South Wales Land and Housing Corporation to purchase properties that could be affordably rented by people in need. One of the grant conditions provided that Mission Australia Housing secured additional finance of \$ 18.0 million, by using the properties purchased from the SHGF grant as a security which was achieved with a facility in 2011. This facility remains fully drawn.

Nation Building Economic Stimulus Plan (NBESP)

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

Camperdown Common Ground

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

4. Investment property (continued)

Restrictions

The NBESP and Camperdown Common Ground grants are subject to certain conditions by which the Company must abide. Failure to comply with these conditions could result in returning the assets to the funding bodies. The Company has assessed the likelihood of returning the assets to the funding bodies as less than remote.

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

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

Security

At 30 June 2019 Investment Properties with a carrying amount of \$343.4 million (2018: \$354.7 million) are subject to a mortgage to secure bank loans (see Note 9).

Accounting Policy

Recognition and measurement

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

Valuation methodology

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

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

5. Property, plant and equipment

In thousands of AUD

	<i>Leasehold Improvement</i>	<i>IT Assets</i>	<i>Plant and Equipment</i>	<i>Total</i>
Carrying amount as at 1 July 2017	73	3	38	114
Additions	-	-	-	-
Depreciation	(32)	(1)	(18)	(51)
Balance at 30 June 2018	41	2	20	63
Assets cost	695	85	458	1,238
Accumulated depreciation	(654)	(83)	(438)	(1,175)
Carrying amount as at 1 July 2018	41	2	20	63
Additions	135	-	-	135
Depreciation	(37)	(1)	(10)	(48)
Balance at 30 June 2019	139	1	10	150
Assets cost	830	85	458	1,373
Accumulated depreciation	(691)	(84)	(448)	(1,223)

Accounting Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of items of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent expenditure

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

Depreciation

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

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

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

The estimated useful lives are as follows:

- IT Assets 3-5 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.

Impairment

Non-financial assets

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

6. Commitments

6.1 Capital commitments

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

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

6.2 Leases as lessor

The Company leases out its investment properties (see Note 4).

The future minimum lease receipts under non-cancellable leases are as follows:

In thousands of AUD

	2019	2018
Less than one year	1,493	436
Between one and five years	160	79
	1,653	515

During the year, \$18.4 million (2018: \$18.0 million) was recognised as rental income in profit or loss.

6.3 Housing commitments

As a Community Housing Provider, Mission Australia Housing has set aside investment and cash assets to scheduled repairs and maintenance of housing properties. Refer to note 8 *Investments* and note 11 *Cash and Cash Equivalents* for details of assets set aside in the current financial year.

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

6. Commitments (Continued)

6.4 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

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

2019	2018
161	285
246	178
-	-
407	463

During the year ended 30 June 2019, \$0.5 million (2018: \$0.2 million) was recognised as an expense in the profit or loss in respect of operating leases. The Company does not have any finance lease arrangements at 30 June 2019.

Accounting Policy

Lease payments

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

Determining whether an arrangement contains a lease

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

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

7. Trade and other receivables

In thousands of AUD

Current

Trade receivables

Non-current

Other receivables - related parties

	2019	2018
Trade receivables	2,445	1,000
Other receivables - related parties	2,247	2,253
	4,692	3,253

No security is held against related entity balances.

Accounting Policy

Financial instruments

Trade and other receivables are classified as financial assets at amortised cost (2018: classified as loans and receivables).

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument. Trade and other receivables are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company has adopted AASB 9 from 1 July 2019 which has introduced a revised impairment model for financial assets. AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. There has been no material impact from the change in impairment model. Refer to Note 19 for further details on the change in accounting policy.

8. Investments

In thousands of AUD

Current

Term deposits - sinking fund

	2019	2018
Term deposits - sinking fund	3,000	4,082

Mission Australia Housing sets aside resources for the periodic repair and maintenance of housing properties in accordance with its long-term asset management plan. These resources held as sinking fund are assets in the form of investments above and cash (see note 11).

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

Our financing and capital structure

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

9. Loans and borrowings

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

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 charged on related entity balances at nine per cent based on the loan agreement between the Company and Mission Australia.

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2019		30 June 2018	
				Face Value	Carrying amount	Face value	Carrying amount
Current							
Secured bank loans	AUD	3.25%	2022	26,930	26,930	-	-
Non - Current							
Secured bank loans	AUD	3.25%	2022	-	-	22,930	22,930
Unsecured loan from parent	AUD	5.25%	NA	18,039	18,039	17,867	17,867
Total interest-bearing liabilities				44,969	44,969	40,797	40,797

The bank loans are secured over investment properties with a carrying amount of \$343.4 million (2018: \$354.76 million).

CBA Loan and Subsequent Events

The secured bank loans are borrowings of Mission Australia Housing under a Loan Agreement with CBA. As at 30 June 2019, the loan is presented as a current liability due to a potential non-compliance with certain terms of the facility.

Subsequent to 30 June 2019, and prior to the financial statements being authorised, amendments to the terms of the facility were made that confirm the maturity in 2022.

Accounting Policy

Financial instruments

Derivative financial instruments and hedge accounting

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

As permitted under AASB 9 the Company has elected to use AASB 139 for hedge accounting purposes and as a result, the following accounting policy is applicable to the current and comparative period.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

9. Loans and borrowings (continued)

Accounting Policy (continued)

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 OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

10. Capital and reserves

10.1 Accumulated surplus

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

10.2 Accumulated surplus

Accumulated surplus comprises an aggregate of the retained earnings and total comprehensive income.

In thousands of AUD

Opening balance
Fair value of properties - Better Housing Future

2019	2018
314,871	314,683
1,035	188
315,906	314,871

11. Cash and cash equivalents

In thousands of AUD

Bank balances
Cash at bank - sinking fund
Cash and cash equivalents in the statement of cash flows

2019	2018
2,990	8,729
832	916
3,822	9,645

Mission Australia Housing sets aside resources for the periodic repair and maintenance of housing properties in accordance with its long term asset

When hedge accounting for cash flow hedges is discontinued, the amount that has been

accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been

accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

10.3 Accumulated surplus - restricted

Restricted Accumulated surplus relates to SHGF, Camperdown Common Ground and NBESP grants. The Company has recognised an additional restricted accumulated surplus of \$1.0 million (2018: \$0.2 million) in the current financial year.

management plan. These resources are held as sinking fund assets in the form of cash above and investments.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

12. Finance income and finance costs

In thousands of AUD

Recognised in profit or loss

Interest income

Interest expense

Net finance costs recognised in (deficit)

2019	2018
181	204
(2,037)	(1,916)
(1,856)	(1,712)

Accounting Policy

Finance income and expense

The Company's finance income and finance costs include:

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

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

13. 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

13.1 Trade and other receivables

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

13.2 Non-derivative financial liabilities

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

13.3 Investment property

Investment properties are held at fair value based on a determination of their highest and best use and follows the fair market. An external, independent company, having appropriate professional qualifications and experience in the location and category of property is appointed to undertake investment property valuations. Properties are selected for independent valuation on a rotational basis to ensure each property is valued at least once every three years.

The fair values are based on highest and best use market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

Our people

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

14. Personnel expenses

In thousands of AUD

	2019	2018
Wages and salaries	4,818	3,901
Other associated personnel expenses	658	507
Contributions to defined contribution plans	448	354
	5,924	4,762

Short-term benefits

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

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

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit

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

Termination benefits

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

15. Related parties

The key management personnel compensation is as follows:

In AUD

	2019	2018
Short-term employee benefits	1,350,405	1,080,515
Long-term benefits	101,373	52,203
Post-employment benefits	103,376	92,571
	1,555,154	1,225,289

All key management personnel are employed by the Company's Parent Mission Australia. The compensation disclosed above represents the key management personnel's compensation in relation

to their services rendered to the Company and includes compensation paid to Directors as Executives by the Company's Parent Mission Australia.

16. Parent

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

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

Other disclosures

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

17. Subsequent events

In July 2019 Mission Australia Housing commenced operation of the Coffs Harbour / Bellingen package under the NSW Government Social Housing Management Transfer Program.

The transfer will result in the management of over 1,050 social housing dwellings for a 20-year term with an estimated annual surplus of up to \$1m.

18. 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.

19. Significant and changed accounting policies

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

19.1 Income tax

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

19.2 Changes in accounting policy

The Company has initially applied AASB 9, including any consequential amendments to other standards, from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is minimal.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and financial liabilities

AASB 9 contains principal classification categories for financial assets: measured at amortised cost and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard is never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

19. Significant accounting policies (Continued)

Changes in accounting policy (continued)

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

As permitted under AASB 9 the Company has elected to use AASB 139 for hedge accounting purposes.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Company has determined that the application of AASB 9's impairment requirements does not result in material change to the impairment loss recognised at 1 July 2019.

Financial liabilities

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

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

or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial liabilities are initially recognised when the Company becomes party to the contractual provisions of the instrument. A financial liability is initially measured at fair value plus transactions costs that are directly attributable to its issue.

Notes to the Financial Statements

Annual Financial Report 30 June 2019 | Mission Australia Housing

19. Significant and changed accounting policies (Continued)

Changes in accounting policy (continued)

Transition

On the date of initial application, 1 July 2018, the Company's financial assets and financial liabilities were reclassified as follows:

<i>In thousands of AUD</i>		New AASB 9 Category	Original AASB 139 Category	Original carrying amount AASB 9	Original carrying amount AASB 139
Cash and cash equivalents	11	Amortised cost	Loans and receivables	9,645	9,645
Investments - term deposits	8	Amortised cost	Loans and receivables	4,082	4,082
Trade and other receivables	7	Amortised cost	Loans and receivables	3,253	3,253
Total financial assets				16,980	16,980
Trade and other payables		Other financial liabilities	Other financial liabilities	2,884	2,884
Loans and borrowings	9	Other financial liabilities	Other financial liabilities	40,797	40,797
Interest rate swaps used for hedging		Fair value - hedging instrument	Fair value - hedging instrument	852	852
Total financial liabilities				44,533	44,533

26.3 New Standards and interpretations not yet adopted

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

- AASB 16 Leases (effective 1 Jul 2019)
- AASB 1058 Income of Not-for-profit Entities (effective date 1 Jan 2019)
- AASB 15 Revenue from Contracts with Customers, Amendments to Australian Accounting Standards arising from AASB 2015-8 (effective 1 Jan 2019)

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

The Company has operating lease commitments as disclosed in Note 6.4. The disclosed amounts indicate that the impact of AASB 16 Leases will result in a material gross up of the total assets and liabilities of the Company.

Directors' Declaration

Annual Financial Report 30 June 2018 | Mission Australia Housing

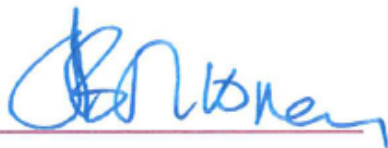
Directors' Declaration

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

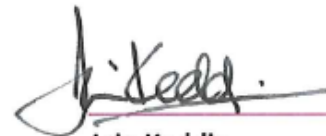
- a) the financial statements and notes set out on pages 8 to 26 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including *the Australian Accounting Interpretations*) and *the Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Sydney, 18 October 2019.



James Toomey
Chairman



Iain Keddie
Director

Independent Auditor's Report

To the members of Mission Australia Housing

Opinion

We have audited the **Financial Report**, of Mission Australia Housing (the Company).

In our opinion the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2019.
- ii. Statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Mission Australia Housing's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosures Requirements and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it e.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG



KPMG

Stephen Isaac

Partner

Sydney
18 October 2019