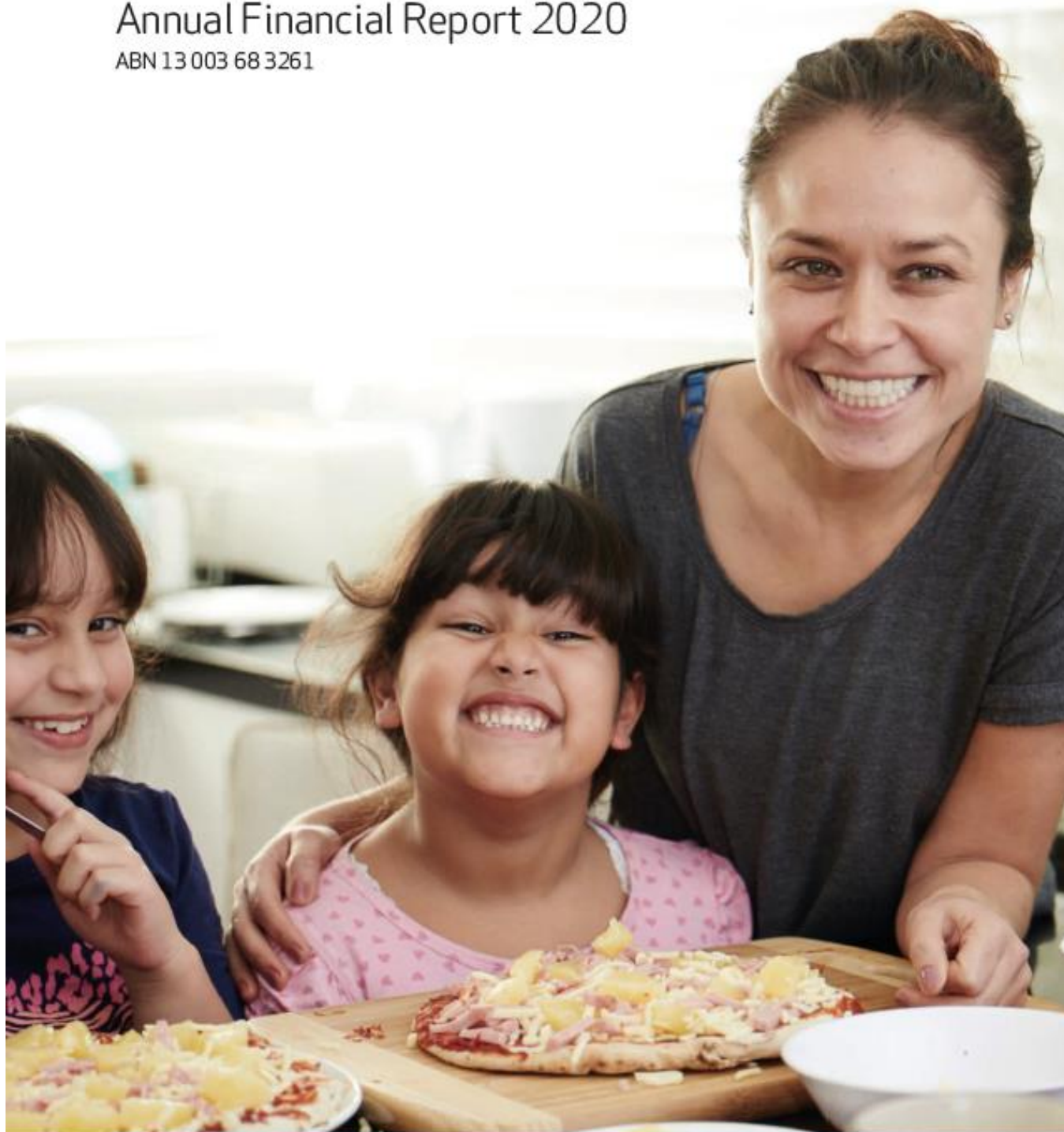


# MISSION AUSTRALIA | Housing

Annual Financial Report 2020

ABN 13 003 68 3261



*Better homes in vibrant communities*

# Contents

Annual Financial Report 30 June 2020 | Mission Australia Housing

## Directors' Report

Page 2

## Auditor's independence Declaration

Page 7

## Financial Statements

Page 8	Statement of Profit or Loss and Other Comprehensive Income
Page 9	Statement of Financial Position
Page 10	Statement of Changes in Equity
Page 11	Statement of Cash Flows

## Notes to the Financial Statements

About this report	Our key numbers	Our assets platform	Our financing and capital structure	Our people	Other disclosures
Pages (12-12)	Pages (13-14)	Pages (15-24)	Pages (25-27)	Pages (28-28)	Pages (29-32)
1 Reporting Entity	3 Revenue	4 Investment Property	11 Loans and borrowings	16 Personnel expenses	19 Subsequent events
2 Basis of preparation		5 Property, plant and equipment	12 Capital and reserves	17 Related Parties	20 Members' guarantee
		6 Intangible Assets	13 Cash and cash equivalents	18 Parent entity	21 Significant accounting policies
		7 Leases	14 Finance income and finance costs		
		8 Commitments	15 Determination of fair value		
		9 Trade and other receivables			
		10 Investments			

## Directors' Declaration

Page 33

## Independent Auditor's Report

Page 34

# Directors' Report

Annual Financial Report 30 June 2020 | Mission Australia Housing

The Directors present their report for Mission Australia Housing for the financial year ended 30 June 2020 and the auditor's report thereon.

## 1. Directors

The Directors of Mission Australia Housing at any time during or since the end of the financial year are:

Name and qualifications and status	Experience, special responsibilities and other Directorships
<b>Mr James Toomey</b> <b>MSc, MBA, GAICD</b>	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 Services and Mission Australia Capital Fund Pty Ltd. James is a founding Director and Co-chair of End Street Sleeping Collaboration Limited.
<b>Ms Sally Ascroft</b> <b>BEC LLB, GAICD</b>	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 Housing Partnership Limited and Mission Australia Capital Fund Pty Ltd.
<b>Mr Chris Bratchford</b> <b>LLB, MBA, GAICD</b>	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).
<b>Mr Iain Keddie</b> <b>BSc (Hons), FCA, GAICD</b>	Appointed as a Director on 19 November 2014 after having joined Mission Australia as Chief Financial Officer. Previously, Iain has been CFO and Executive of listed and private companies and has worked in London and Sydney for PricewaterhouseCoopers and Ernst & Young. Iain is also a Director of Mission Australia Housing (Victoria), Mission Australia Services, Mission Australia Housing Partnership Limited and Mission Australia Capital Fund Pty Ltd.

# Directors' Report

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 1. Directors (Continue)

Name and qualifications and status	Experience, special responsibilities and other Directorships
<b>Ms Marion Bennett</b> <b>BA (Hons) GAICD</b>	Appointed as a Director on 6 February 2018, Marion is Executive, Practice, Evidence and Impact, having joined Mission Australia in 2015 as Head of Policy & Advocacy. Marion was formerly Executive Director of Housing Policy and Homelessness in the NSW Department of Family and Community Services, where 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 Mission Australia Housing 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 Mission Australia Housing 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	11	11
Ms Sally Ascroft	10*	11
Mr Iain Keddie	11	11
Mr Chris Bratchford	11	11
Ms Marion Bennett	09*	11

\* Granted leave of absence.

# Directors' Report

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 4. Corporate governance

Mission Australia Housing and its parent Mission Australia are committed to proper and effective corporate governance arrangements. Mission Australia Housing 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), Mission Australia Housing applies the ACNC Governance Standards. As a registered community housing provider, Mission Australia Housing 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 is 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 [www.missionaustralia.com.au](http://www.missionaustralia.com.au).

## 5. Principal activities and objectives

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

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.

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.

## 6. Operating and financial review

### 6.1 Operating results

*In thousands of AUD*

	2020	2019
Operating revenue	34,700	21,809
Expenditure	30,909	23,010
<b>Underlying operating surplus / (deficit)</b>	<b>3,791</b>	<b>(1,201)</b>
Revenue from housing grants	2,700	1,035
Movement in fair value of investment property	(11,787)	(15,080)
Net finance costs	(2,504)	(1,856)
<b>Net deficit</b>	<b>(7,800)</b>	<b>(17,102)</b>

Mission Australia Housing reported an underlying operating surplus of \$3.8 million for the current financial year (2019 deficit of \$1.2million). Mission Australia Housing revalued its portfolio of investment properties in accordance with policy resulting in a decrease of \$11.8 million being recorded.

Services increased significantly during the year as Mission Australia Housing commenced operation of services in the Coffs Harbour/ Bellingen region under the NSW Government Social Housing Management Transfer Program.

# Directors' Report

Annual Financial Report 30 June 2020 | Mission Australia Housing

---

## 6. Operating and financial review (continued)

### 6.1 Operating results (continued)

Services, operations and financial results have inevitably been impacted by the COVID-19 pandemic where the ability to engage with tenants has been curtailed significantly and staff have had to change their mode of operation in some way to accommodate greater social and physical distancing between both clients and staff.

Mission Australia Housing was eligible for the first phase of the Commonwealth Government's JobKeeper subsidy which has enabled Mission Australia Housing to extend employment to staff who would otherwise have seen their employment reduced or ended. The income received from JobKeeper has also enabled Mission Australia Housing to defray increased costs and reduced income arising from COVID-19 and thereby minimise impacts on tenants and staff who deliver services.

The financial impacts arising from COVID-19, directly and indirectly, are expected to continue in future. JobKeeper income will continue to provide funds to mitigate the negative impacts in future periods.

### 6.2 Significant changes in the state of affairs

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 resulted in Mission Australia Housing accepting the management of over 1,050 social housing dwellings for a 20-year term.

In June 2020, Mission Australia Housing completed the financing of a \$65.0 million loan facility with National Housing Finance and Investment Corporation. The new facility enabled the repayment of the \$37.0 million Commonwealth Bank Australia facility and, also, enabled the repayment of \$20 million parent company loans with Mission Australia. The NHFIC facility is fixed at a rate of 2.06% for a term of 12 years.

## 7. Events subsequent to reporting date

The financial impacts arising from COVID-19, directly and indirectly, are expected to continue in future. The Directors acknowledge that there exists uncertainty over the impacts given the changes that may arise in the course of the pandemic and subsequent responses by Government. JobKeeper income will continue to provide funds to mitigate the negative impacts in future periods.

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.

## 8. Likely developments

Mission Australia Housing is in a consortium with Frasers Property Company 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 expected to be active in FY2022.

The Directors are cognisant that, because of the COVID-19 pandemic, there exists uncertainty over the future impact on services currently operated by Mission Australia Housing. The impact on individual services may vary by State. Risks to housing services have been identified; however, forecasts of financial impact are not able to be made with reasonable certainty.

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, Mission Australia Housing 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.



# Directors' Report

Annual Financial Report 30 June 2020 | Mission Australia Housing

---

## 9. Indemnification and insurance of officers and Directors (continued)

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 Mission Australia Housing. 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

Mission Australia Housing 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 Mission Australia Housing. The Board also reviews the medium and long term plans to assess Mission Australia Housing 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 2020.

## 12. Registered office

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

## 13. Founder

Mission Australia Housing was founded by its parent, Mission Australia.

## 14. Founding Purpose

Mission Australia Housing 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

Mission Australia Housing 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

Mission Australia Housing 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, 11 September 2020



---

**Iain Keddie**  
Director  
Sydney, 11 September 2020



# 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 2020 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

A handwritten signature in black ink, appearing to read 'S. Isaac'.

KPMG

Stephen Isaac

*Partner*

Sydney

11 September 2020



# Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2020 | Mission Australia Housing

## For the year ended 30 June 2020

*In thousands of AUD*

	Note	2020	2019
Revenue from rental	3	29,958	18,450
Government contributions and other fees for revenue	3	1,670	1,923
Revenue from housing grants	3	2,700	1,035
Other government grants	3	2,010	1,022
Other revenue	3	1,062	414
<b>Total revenue for the year</b>		<b>37,400</b>	<b>22,844</b>
<b>Change in fair value on investment property</b>	3	<b>(11,787)</b>	<b>(15,080)</b>
Personnel expenses	16	(7,265)	(5,924)
Utility expenses		(6,515)	(3,640)
Repair and maintenance expenses		(9,597)	(6,169)
Management fees - Mission Australia		(1,242)	(1,010)
Insurance expenses		(1,348)	(777)
Legal and other consultancy expenses		(425)	(1,841)
Depreciation and amortisation	5,6,7	(1,024)	(48)
Bad debts expenses		(577)	(495)
Communication expenses		(276)	(275)
Rent expenses		(205)	(480)
Transport and equipment hire expenses		(357)	(429)
Other expenses		(2,078)	(1,922)
<b>Total expenses for the year</b>		<b>(30,909)</b>	<b>(23,010)</b>
<b>Results from operating activities</b>		<b>(5,296)</b>	<b>(15,246)</b>
Finance income		60	181
Finance costs		(2,564)	(2,037)
<b>Net finance costs</b>	14	<b>(2,504)</b>	<b>(1,856)</b>
<b>Net deficit for the year</b>		<b>(7,800)</b>	<b>(17,102)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges reclassified to profit or loss		193	(82)
<b>Other comprehensive loss for the year</b>		<b>193</b>	<b>(82)</b>
<b>Total comprehensive loss for the year</b>		<b>(7,607)</b>	<b>(17,184)</b>

# Statement of Financial Position

Annual Financial Report 30 June 2020 | Mission Australia Housing

As at 30 June 2020

In thousands of AUD

	Note	2020	2019
<b>Assets</b>			
Cash and cash equivalents	13	7,518	3,822
Investments	10	18,010	3,000
Trade and other receivables	9	1,874	2,445
Prepayments		52	627
<b>Total current assets</b>		<b>27,454</b>	<b>9,894</b>
Trade and other receivables	9	2,187	2,247
Property, plant and equipment	5	635	149
Investment property	4	412,715	415,207
Intangible assets	6	104	-
<b>Total non-current assets</b>		<b>415,641</b>	<b>417,603</b>
<b>Total assets</b>		<b>443,095</b>	<b>427,497</b>
<b>Liabilities</b>			
Trade and other payables		4,416	2,096
Employee benefits		655	469
Lease liability	7	769	-
Loans and borrowings	11	-	26,930
Contract liability		1,397	134
<b>Total current liabilities</b>		<b>7,237</b>	<b>29,629</b>
Other payables		523	1,525
Lease liability	7	297	-
Loans and borrowings	11	64,316	18,039
Employee benefits		142	117
<b>Total non-current liabilities</b>		<b>65,278</b>	<b>19,681</b>
<b>Total liabilities</b>		<b>72,515</b>	<b>49,310</b>
<b>Net assets</b>		<b>370,580</b>	<b>378,187</b>
<b>Equity</b>			
Cash flow hedging reserves		-	(360)
Accumulated surplus - restricted	12	355,993	315,906
Accumulated surplus		14,587	62,641
<b>Total equity</b>		<b>370,580</b>	<b>378,187</b>

The notes on pages 12 to 32 are an integral part of these financial statements.

# Statement of Changes in Equity

Annual Financial Report 30 June 2020 | Mission Australia Housing

## For the year ended 30 June 2020

<i>In thousands of AUD</i>	Note	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2018		(278)	314,871	80,778	395,371
<b>Total comprehensive income for the year</b>					
Surplus		-	1,035	(18,137)	(17,102)
<b>Other comprehensive income</b>					
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)
<b>Balance at 30 June 2019</b>		<b>(360)</b>	<b>315,906</b>	<b>62,641</b>	<b>378,187</b>
Balance at 1 July 2019		(360)	315,906	62,641	378,187
<b>Total comprehensive income/(loss) for the year</b>					
Surplus / (Deficit)		-	2,700	(10,500)	(7,800)
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges		360	(167)	-	193
Transfer to surplus allocation	12.3	-	37,554	(37,554)	-
Total comprehensive (loss) / income for the year		360	40,087	(48,054)	(7,607)
<b>Balance at 30 June 2020</b>		<b>-</b>	<b>355,993</b>	<b>14,587</b>	<b>370,580</b>

# Statement of Cash Flows

Annual Financial Report 30 June 2020 | Mission Australia Housing

## For the year ended 30 June 2020

*In thousands of AUD*

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Cash receipts from customers		37,755	18,072
Cash paid to suppliers and employees		(26,791)	(21,254)
<b>Cash from operations</b>		<b>10,964</b>	<b>(3,182)</b>
Interest received		60	181
Interest paid		(1,359)	(1,091)
<b>Net cash (used in) / from operating activities</b>		<b>9,665</b>	<b>(4,092)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties		246	55
Payments for fixed assets and investments		(22,637)	(3,860)
<b>Net cash (used in) investing activities</b>		<b>(22,391)</b>	<b>(3,805)</b>
<b>Cash flows from financing activities</b>			
Payment to borrowings - parent		(19,151)	(1,926)
Payment of lease liability		(506)	-
Payments to bank borrowings		(38,307)	-
Proceeds from borrowings		74,386	4,000
<b>Net cash from financing activities</b>		<b>16,422</b>	<b>2,074</b>
Net increase in cash and cash equivalents		3,696	(5,823)
Cash and cash equivalents at 1 July		3,822	9,645
<b>Cash and cash equivalents at 30 June</b>	13	<b>7,518</b>	<b>3,822</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## About this report

### 1. Reporting entity

Mission Australia Housing is a Company domiciled in Australia. The address of the Company's registered office is Level 7, 580 George Street, Sydney, NSW, 2000, Australia. Mission Australia Housing 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 Mission Australia Housing annual financial statements in which AASB 16 Leases, AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities 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 15. The financial report has been prepared on a going concern basis.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## Our key numbers

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

### 3. Revenue

*In thousands of AUD*

#### Revenue recognised under AASB 16 Leases

Rental revenue from housing services

#### Revenue recognised under AASB 1058 Income of NFP entities

Government contribution - rent

Revenue from housing grants

Other government grants

JobKeeper subsidy

#### Revenue recognised under AASB15 Revenue from Contracts with Customers

Fee for service income

Management fees

#### Other revenue

Other miscellaneous revenue

#### Other Income

Change in fair value on investment property

2020	2019
29,958	18,450
1,564	1,838
2,700	1,035
2,010	1,022
638	-
37	15
69	70
424	414
<b>37,400</b>	<b>22,844</b>
<b>(11,787)</b>	<b>(15,080)</b>

### Accounting policy

#### Revenue recognition policy for revenue from rental services (AASB16).

##### Revenue from lease rental.

Future contractual rental payments from the tenants are recognised as receivables over the lease term as the payments become receivable. Lease income from operating leases is recognised by Mission Australia Housing in income on a straight-line basis from the commencement date over the lease term.

#### Revenue recognition policy for revenue streams which are either not enforceable or do not have sufficiently specific performance obligations (AASB 1058).

Assets arising from grants in the scope of AASB 1058 are recognised at their fair value when the asset is received. These assets are generally cash but maybe property which has been donated or sold to the company at significantly below its fair value.

Once the assets and liabilities have been recognised then income is recognised for any difference between the recorded asset and liability.

#### Revenue from capital and housing grants

Capital grants received under an enforceable agreement to enable Mission Australia Housing to acquire or construct an item of property, plant and equipment to identified specifications which will be controlled by Mission Australia Housing (once complete) are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

---

## 3. Revenue (Continued)

### Accounting Policy (Continued)

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by Mission Australia Housing.

#### JobKeeper subsidy

On 30 March 2020, the Federal Government announced the “JobKeeper” program, which broadly comprises a wage subsidy to help businesses keep staff employed. From 30 March 2020 to 27 September 2020, the subsidy of \$1,500 per fortnight, per eligible employee, is available to all affected employers including not-for-profits and charities.

#### Revenue from rental grants

Grants include contribution received from Government to cover up the difference between lease rental compared to the rent received from the tenant upon the delivery of social and affordable housing services.

Revenue is recognised in accordance with the period tenanted.

### Revenue recognition policy for revenue from contracts with customers (AASB 15)

AASB 15 requires revenue to be recognised when control of a promised good or service is passed to the customer at an amount, which reflects the expected consideration.

The customer for these contracts is the fund provider. Revenue is recognised by applying a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognise revenue

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of Mission Australia Housing has any significant financing terms, as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

### Other Income

#### 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 2020 | Mission Australia Housing

## Our assets platform

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

### 4. Investment property

<i>In thousands of AUD</i>	<b><i>Purchased from SHGF</i></b>	<b><i>Received under NBESP</i></b>	<b><i>Common Ground</i></b>	<b><i>Owned &amp; Leased Properties</i></b>	<b><i>Total</i></b>
<b><i>Fair value</i></b>					
Balance at 1 July 2018	44,930	309,832	39,000	28,375	422,137
Purchased	-	-	-	7,797	7,797
Received as property transfer	-	-	-	1,035	1,035
Disposal	-	-	-	(682)	(682)
Change in fair value	(2,537)	(8,762)	(1,170)	(2,611)	(15,080)
Balance at 30 June 2019	42,393	301,070	37,830	33,914	415,207
Balance at 1 July 2019	42,393	301,070	37,830	33,914	415,207
Purchased	-	-	-	8,822	8,822
Recognition of net right-of-use assets	-	-	-	472	472
Received as property transfer	-	-	-	2,700	2,700
Disposal	-	-	-	(2,700)	(2,700)
Change in fair value	(403)	(11,639)	(950)	1,205	(11,787)
Balance at 30 June 2020	<b>41,990</b>	<b>289,431</b>	<b>36,880</b>	<b>44,413</b>	<b>412,715</b>

#### 4.1 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 finance, by using the properties purchased from the SHGF grant as a security which was achieved with a facility in 2011.

#### 4.2 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.

#### 4.3 Camperdown Common Ground

In December 2014, Mission Australia Housing 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.

#### 4.4 Other owned & leased Properties

Mission Australia Housing other owned and leased properties include investment properties owned by the company.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 4. Investment property (continued)

### 4.4.1 Social Housing Management Transfer program (SHMT) (continued)

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 resulted in the management of over 1,050 social housing dwellings for a 20-year term. Right of use assets under unrestricted properties includes 38 Mission Australia Housing head leases. These 'head leases' are properties leased from private landlords at commercial rates and then leased to tenants in accordance with the requirements of the agreement.

### 4.4.2 Peppercorn leases

Mission Australia Housing holds a number of peppercorn lease contracts or premises provided for nil or below market consideration. Mission Australia Housing adopted the option not to apply the fair value initial measurement requirement to Right-of-use assets as permitted by AASB 2018-8 until further guidance is developed. This adoption was taken due to the small size of many of the locations and, also, difficulties in obtaining valuations for specific premises being provided to achieve the purpose of Mission Australia Housing.

#### Restrictions

The NBESP and Camperdown Common Ground grants are subject to certain conditions by which Mission Australia Housing must abide. Failure to comply with these conditions could result in returning the assets to the funding bodies. Mission Australia Housing 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 sale of assets without funding body consent and restrict the use of sale proceeds where these proceeds can only be used towards purchase of similar social housing stock.

#### Security

At 30 June 2020 Investment Properties with a carrying amount of \$225.84 million (2019: \$343.40 million) are subject to a mortgage to secure bank loans (see Note 11).

## Accounting Policy

### Recognition and measurement

Investment property, including both owned property and right to use assets 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*, Mission Australia Housing has determined the highest and best use for the properties to be residential dwellings.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 5. Property, plant and equipment

*In thousands of AUD*

	<b>Leasehold Improvement</b>	<b>IT Assets</b>	<b>Plant and Equipment</b>	<b>Total</b>
Carrying amount as at 1 July 2018	41	2	20	63
Additions	135	-	-	135
Depreciation	(37)	(1)	(10)	(48)
<b>Balance at 30 June 2019</b>	<b>139</b>	<b>1</b>	<b>10</b>	<b>150</b>
Assets cost	830	85	458	1,373
Accumulated depreciation	(691)	(84)	(448)	(1,223)
Carrying amount as at 1 July 2019	139	1	10	150
Recognition of Right-of-use asset on initial application of AASB16	137	-	-	137
Additions	650	-	195	845
Depreciation	(417)	-	(80)	(497)
<b>Balance at 30 June 2020</b>	<b>509</b>	<b>1</b>	<b>125</b>	<b>635</b>
Assets cost	1,617	85	653	2,355
Accumulated depreciation	(1,108)	(84)	(528)	(1,720)

## 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 Mission Australia Housing.

### 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.

Mission Australia Housing policy to depreciating right of use assets is detailed in note 7.

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 Mission Australia Housing 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 2020 | Mission Australia Housing

### 6. Intangible assets

*In thousands of AUD*

Carrying amount as at 1 July

Acquisitions

Amortisation

Closing net book value as at 30 June

Assets cost

Accumulated amortisation

	2020	2019
Carrying amount as at 1 July	-	-
Acquisitions	130	-
Amortisation	(26)	-
Closing net book value as at 30 June	104	-
Assets cost	130	-
Accumulated amortisation	(26)	-

### Accounting Policy

#### Software

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

#### Subsequent expenditure

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

#### Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over the estimated useful lives being 1–5 years. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 7. Leases

### 7.1 Leases as lessee

Mission Australia Housing leases property, motor vehicles, computer and printing. The leases typically run for a period of 3 to 10 years, and may includes an option to renew the lease after that date. Lease payments are renegotiated at the end of lease period to reflect market rentals.

Mission Australia Housing leases land and buildings under a number of leases, which were classified as operating leases under AASB 117.

Mission Australia Housing leases plant and equipment (motor vehicles) under a number of

leases, which were classified as operating leases under AASB 117.

Mission Australia Housing leases plant and equipment (computer & printing equipment) with contract terms of one to three years. These leases are short-term and/or leases of low-value items. Mission Australia Housing has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which Mission Australia Housing is a lessee is presented below.

### Right of use assets

*In thousands of AUD*

Balance at 1 July 2019

Addition during the year

Depreciation charge for the year

Balance at 30 June 2020

Land and buildings	Investment Properties	Plant and Equipment	Total
137	-	-	137
650	973	195	1,818
(334)	(501)	(76)	(911)
<b>453</b>	<b>472</b>	<b>119</b>	<b>1,044</b>

### Amounts recognised in profit or loss

*In thousands of AUD*

Interest on lease liabilities

Variable lease payments not included in the measurement of lease liabilities

Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets

**2020**

(50)

(911)

(18)

### Amounts recognised in statement of cash flows

*In thousands of AUD*

Cash outflow for lease payment

Cash outflow for lease interest payment

**2020**

(506)

(50)

**(556)**

### Lease Liability

*In thousands of AUD*

#### Maturity analysis - contractual undiscounted cash flows

Less than one year

Between one and five years

More than five years

Total undiscounted lease liabilities

Lease liabilities included in the statement of financial position at 30 June 2020

Current - Lease liability

Non- Current lease liability

2020	2019
822	161
325	246
-	0
<b>1,147</b>	<b>407</b>
<b>1,066</b>	-
769	-
297	-

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 7. Leases (continued)

### 7.1 Leases as lessee (continued)

#### Extension options

Some property leases contain extension options exercisable by Mission Australia Housing up to one year before the end of the non-cancellable contract period. Where practicable, Mission Australia Housing seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by Mission Australia Housing and not by the lessors. Mission Australia Housing assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Mission Australia Housing reassesses whether it is reasonably certain to exercise the options if there

is a significant event or significant changes in circumstances within its control.

### 7.2 Leases as lessor

Mission Australia Housing leases out its investment property consisting of its social and affordable housing. All leases are classified as operating leases from a lessor perspective because Mission Australia Housing does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 7.1.1 sets out information about the operating leases of investment property.

## Accounting Policy

Mission Australia Housing has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. The details of accounting policies under AASB 17 and AASB 16 are disclosed separately.

### Policy applicable from 1 July 2019

At inception of a contract, Mission Australia Housing assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Mission Australia Housing uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

#### I. As a lessee

At commencement or on modification of a contract that contains a lease component, Mission Australia Housing allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property Mission Australia Housing has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Mission Australia Housing recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 7. Leases (continued)

### Accounting policy (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to Mission Australia Housing by the end of the lease term or the cost of the right-of-use asset reflects that Mission Australia Housing will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Mission Australia Housing incremental borrowing rate. Generally, Mission Australia Housing uses its incremental borrowing rate as the discount rate.

Mission Australia Housing determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Mission Australia Housing is reasonably certain to exercise, lease payments in an optional renewal period if Mission Australia Housing is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Mission Australia Housing estimate of the amount expected to be payable under a residual value guarantee, if Mission Australia Housing changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Mission Australia Housing presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment.

### Short-term leases and leases of low-value assets

Mission Australia Housing has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. Mission Australia Housing recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### II. As a lessor

At inception or on modification of a contract that contains a lease component, Mission Australia Housing allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When Mission Australia Housing acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Mission Australia Housing makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.



# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 7. Leases (continued)

### Accounting policy (continued)

As part of this assessment, Mission Australia Housing considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, then Mission Australia Housing applies AASB 15 to allocate the consideration in the contract.

### Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, Mission Australia Housing determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### I. As a lessee

In the comparative period, as a lessee Mission Australia Housing classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case,

the leased assets were measured initially at an amount equal to the lower of

their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Mission Australia Housing statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

#### II. As a lessor

When Mission Australia Housing acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, Mission Australia Housing made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, Mission Australia Housing considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 8. Commitments

### 8.1 Capital commitments

Mission Australia Housing 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 Mission Australia Housing registration as Community Housing Provider and other consequences of default within its contract with Housing NSW and Housing Tasmania.

### 8.2 Leases as lessor

Mission Australia Housing leases out its investment properties (see Note 4).

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

*In thousands of AUD*

	2020	2019
Less than one year	1,756	1,493
Between one and five years	280	160
	<b>2,036</b>	<b>1,653</b>

During the year, \$30.0 million (2019: \$18.4 million) was recognised as rental income in profit or loss.

### 8.3 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 10 Investments and note 13 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 Mission Australia Housing 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 2020 | Mission Australia Housing

## 9. Trade and other receivables

*In thousands of AUD*

### Current

Trade receivables

### Non-current

Other receivables - related parties

2020	2019
1,874	2,445
2,187	2,247
<b>4,061</b>	<b>4,692</b>

No security is held against related entity balances.

## Accounting Policy

### Financial instruments

Trade and other receivables are classified as financial assets at amortised cost.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when Mission Australia Housing 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.

Mission Australia Housing has no contract assets as at 30 June 2020.

Mission Australia Housing applied an 'expected credit loss' ("ECL") model in assessing impairment losses.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in an accordance with the contract and the cash flows that Mission Australia Housing expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### COVID impact on credit risk

The Mission Australia Housing exposure to COVID credit risk is influenced mainly by the characteristics of its customer. Mission Australia Housing customers are mainly individual tenants with many receiving Government varying level of support.

Due to the nature of Mission Australia Housing customers impact of COVID on credit risk was assessed as low.

## 10. Investments

*In thousands of AUD*

### Current

Term deposits

2020	2019
<b>18,010</b>	<b>3,000</b>

Mission Australia Housing sets aside resources for the periodic repair and maintenance of housing properties in accordance with its long-term asset management plan. The resources held as sinking fund are assets in the form of investments included in above amounts and cash (see note 13).

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## Our financing and capital structure

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

### 11. Loans and borrowings

This note provides information about Mission Australia Housing interest-bearing loans and borrowings which are measured at amortised cost.

Bank loans are secured by properties owned by Mission Australia Housing and are disclosed as non-current liabilities.

Mission Australia Housing had 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 Mission Australia Housing. Interest charged on the loan agreement between Mission Australia Housing and Mission Australia at commercial rates between zero and nine percent. Loan was repaid in June 2020.

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2020		30 June 2019	
				Face Value	Carrying amount	Face value	Carrying amount
<b>Current</b>							
Secured bank loans - CBA	AUD	3.25%	2022	-	-	26,930	26,930
<b>Non - Current</b>							
Secured loan - NHFIC	AUD	2.06%	2022	64,316	64,316	-	-
Unsecured loan from parent	AUD	5.25%	NA	-	-	18,039	18,039
<b>Total interest-bearing liabilities</b>				<b>64,316</b>	<b>64,316</b>	<b>44,969</b>	<b>44,969</b>

On 30 June 2020, Mission Australia Housing successfully completed a refinancing of its corporate loan facilities through a \$65.0 million loan facility with National Housing Finance and Investment Corporation (NHFIC). The new NHFIC facility enabled the repayment of Commonwealth Bank Australia facilities.

The NHFIC facility is fixed at a rate of 2.06% for a term of 12 years.

At 30 June 2020, the NHFIC facility was secured over 46 investment properties with a carrying value of \$225.8 million. At 30 June 2019, the CBA facilities was secured over investment properties with a carrying value of \$384.5 million.

### 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 Mission Australia Housing 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 2020 | Mission Australia Housing

## 11. 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.

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.

## 12. Capital and reserves

### 12.1 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.

### 12.2 Accumulated surplus

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

### 12.3 Accumulated surplus - restricted

Restricted accumulated surplus relates to BHF, SHGF, Camperdown Common Ground and NBESP vested properties and their subsequent fair value movements. Mission Australia Housing has recognised an additional restricted accumulated surplus of \$2.7 million (2019: \$1.0 million) in the current financial year.

*In thousands of AUD*

Opening balance
Effective portion of changes in fair value of cash flow hedges
Fair value of restricted properties
Transfer to restricted surplus allocation

2020	2019
315,906	314,871
(167)	-
2,700	1,035
37,555	-
<b>355,993</b>	<b>315,906</b>

## 13. Cash and cash equivalents

*In thousands of AUD*

Bank balances
Cash and cash equivalents in the statement of cash flows

2020	2019
7,518	3,822
<b>7,518</b>	<b>3,822</b>

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 are held as sinking fund assets in the form of cash above and investments.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 14. Finance income and finance costs

*In thousands of AUD*

Recognised in profit or loss

Interest income on financial assets

Finance income

Interest expense on financial liabilities

Interest expense on lease liability

Finance expense

**Net finance costs**

2020	2019
60	181
60	181
(2,514)	(2,037)
(50)	-
(2,564)	(2,037)
<b>(2,504)</b>	<b>(1,856)</b>

## Accounting Policy

### Finance income and expense

Mission Australia Housing 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. Mission Australia Housing discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.8%.

## 15. Determination of fair values

A number of Mission Australia Housing 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.

### 15.1 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.

### 15.2 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.

### 15.3 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 2020 | Mission Australia Housing

## Our people

This section provides details of Mission Australia Housing employee costs, including Key Management Personnel.

### 16. Personnel expenses

*In thousands of AUD*

	2020	2019
Wages and salaries	6,055	4,818
Other associated personnel expenses	633	658
Contributions to defined contribution plans	577	448
	<b>7,265</b>	<b>5,924</b>

#### Short-term benefits

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

A liability is recognised for the amount expected to be paid if Mission Australia Housing 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

Mission Australia Housing 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 Mission Australia Housing can no longer withdraw the offer of those benefits and when Mission Australia Housing 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.

### 17. Related parties

The key management personnel compensation is as follows:

*In AUD*

	2020	2019
Short-term employee benefits	1,458,338	1,350,405
Long-term benefits	144,320	101,373
Post-employment benefits	84,011	103,376
	<b>1,686,669</b>	<b>1,555,154</b>

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

relation to their services rendered to Mission Australia Housing and includes compensation paid to Directors as Executives by Mission Australia Housing Parent Mission Australia.

### 18. Parent entity

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 2020 | Mission Australia Housing

## Other disclosures

This section provides details of other disclosures relating to Mission Australia Housing to comply with accounting standards and other pronouncements.

### 19. Subsequent events

The financial impacts arising from COVID-19, directly and indirectly, are expected to continue in future. The Directors acknowledge that there exists uncertainty over the impacts given the changes that may arise in the course of the pandemic and subsequent responses by Governments. JobKeeper income will continue to provide funds to mitigate the negative impacts in future periods.

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

### 20. 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.

### 21. Significant and changed accounting policies

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

#### 21.1 Income tax

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

#### 21.2 Changes in accounting policy

Mission Australia Housing initially applied AASB 16 Leases, AASB 15 Revenue from contracts and AASB 1058 Income of Not-for-Profit 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 Mission Australia Housing financial statements.

Mission Australia Housing applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related

interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

#### Definition of a lease

Previously, Mission Australia Housing determined at contract inception whether an arrangement was or contained a lease under AASB 117 Determining whether an Arrangement contains a Lease. Mission Australia Housing now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 7. On transition to AASB 16, Mission Australia Housing elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Mission Australia Housing applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 21. Significant accounting policies (Continued)

### 21.2 Changes in accounting policy (continued)

#### As a lessee

As a lessee, Mission Australia Housing leases many assets including property, production equipment and IT equipment. Mission Australia Housing previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Mission Australia Housing. Under AASB 16, Mission Australia Housing recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

#### I. Leases classified as operating leases under AASB 117

Previously, Mission Australia Housing classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at Mission Australia Housing incremental borrowing rate as at 1 July 2019 (see Note 7). Right-of-use assets are measured on amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Mission Australia Housing has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Mission Australia Housing used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, Mission Australia Housing

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

#### As a lessor

Mission Australia Housing assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under AASB 116.

Mission Australia Housing has not entered into a sub-lease during 2019.

Mission Australia Housing has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

## 21. Significant accounting policies (Continued)

### 21.2 Changes in accounting policy (continued)

#### Impact on transition

On the date of initial application, 1 July 2019, Mission Australia Housing recognised additional right-of-use assets, including investment property, and additional

lease liabilities. The impact on transition is summarised below.

*In thousands of AUD*

Right-of-use assets – property, plant and equipment  
Lease liabilities  
Prepayment

**1 July 2019**

137  
(138)  
1

When measuring lease liabilities for leases that were classified as operating leases, Mission Australia Housing discounted lease payments using

its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.80%.

*In thousands of AUD*

Operating lease commitments at 30 June 2019 as disclosed under IAS 17 in the Group's consolidated financial statements  
Discounted using the incremental borrowing rate at 1 July 2019  
Recognition exemption for leases with less than 12 months of lease term at transition  
Adjustments relating to variance lease payments based on an index or rate  
Lease liability recognised at 1 July 2019

**1 July 2019**

407  
(39)  
(213)  
(17)

**138**

#### Revenue

Mission Australia Housing has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities for the first time in the current year with a date of initial application of 1 July 2019.

The key changes to Mission Australia Housing accounting policies and the impact on the financial report from applying AASB 15 and AASB 1058 are described below.

Mission Australia Housing has applied AASB 15 and AASB 1058 using the modified retrospective (cumulative catch-up) method, which means the comparative information has not been restated and continues to be reported under AASB 118 Revenue, AASB 1004 Contributions and related interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to accumulated funds at 1 July 2019.

For contracts modified prior to 1 July 2019, Mission Australia Housing has elected not to restate the contract for the modifications and has instead reflected the aggregate effect of all the modifications that occur before the transition date on 1 July 2019.

#### Impact on transition

The impact of adopting AASB 15 and AASB 1058 on Mission Australia Housing surplus for the year ended 30 June 2020 was not material.

# Notes to the Financial Statements

Annual Financial Report 30 June 2020 | Mission Australia Housing

---

## 21. Significant accounting policies (Continued)

### 21.3 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:

- Amendments to references to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

Mission Australia Housing is assessing the potential impact on its financial statements of these new and revised Standards and Interpretations.

## Directors' Declaration

Annual Financial Report 30 June 2020 | Mission Australia Housing

---

### Directors' Declaration

In the opinion of the Directors of Mission Australia Housing:

- a) the financial statements and notes set out on pages 8 to 32 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - i. giving a true and fair view of Mission Australia Housing financial position as at 30 June 2020 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 Mission Australia Housing 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, 11 September 2020.

---

**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 2020, 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 2020.
- 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 (including Independence Standards)* (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 exists.

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 Director's 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 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

11 September 2020