



# Together we stand

Mission Australia Housing Annual Financial Report 2017

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# Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia Housing

The Directors present their report for Mission Australia Housing (the Company) for the financial year ended 30 June 2017 and the auditor's report thereon.

## 1. Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
<b>Ms Catherine Yeomans, LLB GAICD</b> Chairperson	Appointed as Chairperson on 19 October 2015; Director since March 2014. Catherine is Chief Executive Officer of Mission Australia, the parent company of Mission Australia Housing. Catherine has previously held senior management roles with Thomson Reuters and LexisNexis. Catherine is also Director of Mission Australia Housing (Victoria), Mission Australia Early Learning, Many Rivers Microfinance Ltd, Mission Providence Pty Ltd, Mission Australia Services, FutureLiving Community Housing Limited, Mission Australia Capital Fund Pty Ltd and City Mission Employees Retirement Fund Pty Ltd.
<b>Ms Sally Ascroft, BEc LLB, GAICD</b>	Appointed as a Director in March 2014. Sally has over 25 years' legal experience, is a former partner of King Wood Mallesons and former General Counsel and Company Secretary of The Trust Company. Sally is a Director and Secretary of Mission Australia Housing (Victoria) and Mission Australia Services. She is Company Secretary of Mission Australia, Mission Providence Pty Ltd, Mission Australia Early Learning, FutureLiving Community Housing Limited, Mission Australia Capital Fund Pty Ltd and City Mission Employees Retirement Fund Pty Ltd.
<b>Mr Chris Bratchford, LLB, MBA, GAICD</b>	Appointed as a Director on 17 September 2015. Chris joined Mission Australia in February 2015 and is Executive Housing. Chris is a Director of Mission Australia Housing (Victoria) and FutureLiving Community Housing Limited.
<b>Mr Iain Keddle, BSc (Hons), FCA, MAICD</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 Providence Pty Ltd, Mission Australia Services, FutureLiving Community Housing Limited, Mission Australia Capital Fund Pty Ltd and City Mission Employees Retirement Fund Pty Ltd.
<b>Mr James Toomey, MSc, MBA, GAICD</b>	Appointed as a Director on 17 September 2015. James is Executive, Operations and Fundraising at Mission Australia, the parent Company of Mission Australia Housing. James joined Mission Australia in 2010 as National Manager Community Services Operations. A qualified Social Worker, he has extensive experience in children and family services. James is a Director of Mission Australia Housing (Victoria), Mission Australia Early Learning and Mission Australia Services.

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.

## Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia Housing

### 2. Company Secretary

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

### 3. Directors' meetings

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

Director	Number of meetings attended	Number of meetings held during the time the Director held office during the year
Ms Catherine Yeomans	7	8
Ms Sally Ascroft	8	8
Mr Iain Keddle	8	8
Mr Chris Bratchford	8	8
Mr James Toomey	5	8

### 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 seeks to meet or exceed the National Community Housing Standards and comply with the National Performance Standards.

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

### 5. Principal activities and objectives

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

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

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

# Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 6. Operating and financial review

### 6.1 Operating results

*In thousands of AUD*

	2017	2016
Operating revenue	19,817	18,436
Expenditure	18,639	17,266
<b>Underlying operating surplus</b>	<b>1,178</b>	<b>1,170</b>
Revenue from housing grant	148	220
Movement in fair value of investment property	20,822	34,449
<b>Net surplus</b>	<b>22,148</b>	<b>35,839</b>

The Company reported an underlying operating surplus of \$1.2 million for the current financial year (2016: \$1.2 million). The Company revalued its portfolio of investment properties in accordance with policy resulting in an increase of \$20.8 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.

## 7. Events subsequent to reporting date

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

## 8. Likely developments

Mission Australia Housing is in a consortium with Frasers Property Group and Citta Property Group to develop a new mixed tenure community in Sydney's Macquarie Park, transforming the existing Ivanhoe Estate. Mission Australia will deliver services at the location to strengthen the community and offer housing tenants a suite of tailored, person centred supports and services. The development will deliver at least 950 new social housing dwellings and 128 affordable rental properties over a 10 year period with the first social housing and services not expected to be active for at least 3 years.

Mission Australia Housing was also announced on 17 October 2017 as the successful tenderer for the Coffs Harbour / Bellingen package under the NSW Government Social Housing Management Transfer Program. The transfer will be effective from mid-2019 and 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 Mission Australia Housing that will adversely or significantly affect the results of Mission Australia Housing 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.

# Directors' Report

Annual Financial Report 30 June 2017 | Mission Australia Housing

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## 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 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 6 and forms part of the Directors' Report for financial year ended 30 June 2017.

## 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.

## 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:



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**Catherine Yeomans**

Chairman

Sydney, 27 October 2017



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**Iain Keddie**

Director

Sydney, 27 October 2017



# 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 2017 there have been:

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

KPMG

Anthony Travers

Partner

Sydney

27 October 2017

# Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2017 | Mission Australia Housing

## For the year ended 30 June 2017

*In thousands of AUD*

	Note	2017	2016
Income from rental	3	17,370	16,274
Government contributions and other fees for service income	3	2,026	1,833
Revenue from housing grants - restricted	4	148	220
Other government grants		16	3
Change in fair value on investment property		20,822	34,449
Other income		223	142
<b>Total revenue for the year</b>		<b>40,605</b>	<b>52,921</b>
Personnel expenses	19	(4,184)	(3,766)
Utility expenses		(3,216)	(3,519)
Repair and maintenance expenses		(4,519)	(4,066)
Management fees - Mission Australia		(1,074)	(1,054)
Insurance expenses		(804)	(758)
Legal and other consultancy expenses		(541)	(435)
Depreciation and amortisation expenses	5,6	(530)	(674)
Bad debts expenses		(256)	(290)
Communication expenses		(191)	(154)
Rent expenses		(218)	(193)
Transport and equipment hire expenses		(183)	(203)
Other expenses		(1,298)	(885)
<b>Total expenses for the year</b>		<b>(17,014)</b>	<b>(15,997)</b>
<b>Results from operating activities</b>		<b>23,591</b>	<b>36,924</b>
Finance income		182	184
Finance costs		(1,625)	(1,269)
<b>Net finance costs</b>	16	<b>(1,443)</b>	<b>(1,085)</b>
<b>Net surplus for the year</b>		<b>22,148</b>	<b>35,839</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Effective portion of changes in fair value of cash flow hedges		1,175	(1,295)
<b>Other comprehensive loss for the year</b>		<b>1,175</b>	<b>(1,295)</b>
<b>Total comprehensive income for the year</b>		<b>23,323</b>	<b>34,544</b>



# Statement of Financial Position

Annual Financial Report 30 June 2017 | Mission Australia Housing

**As at 30 June 2017**

*In thousands of AUD*

	Note	2017	2016
<b>Assets</b>			
Cash and cash equivalents	13	6,657	10,925
Investments	9	4,000	-
Trade and other receivables	8	2,324	2,368
Prepayments		594	476
<b>Total current assets</b>		<b>13,575</b>	<b>13,769</b>
Trade and other receivables	8	2,253	2,252
Property, plant and equipment	5	114	220
Investment property	4	24,237	16,155
Investment property - restricted	4	386,850	366,999
Intangible assets	6	-	334
<b>Total non-current assets</b>		<b>413,454</b>	<b>385,960</b>
<b>Total assets</b>		<b>427,029</b>	<b>399,729</b>
<b>Liabilities</b>			
Trade and other payables	11	2,004	1,670
Employee benefits		254	196
Deferred income		414	147
<b>Total current liabilities</b>		<b>2,672</b>	<b>2,013</b>
Other payables	11	746	2,157
Loans and borrowings	10	36,424	31,715
Employee benefits		78	58
<b>Total non-current liabilities</b>		<b>37,248</b>	<b>33,930</b>
<b>Total liabilities</b>		<b>39,920</b>	<b>35,943</b>
<b>Net assets</b>		<b>387,109</b>	<b>363,786</b>
<b>Equity</b>			
Cash flow hedging reserves		(981)	(2,156)
Accumulated surplus - restricted	12	314,683	314,535
Accumulated surplus		73,407	51,407
<b>Total equity</b>		<b>387,109</b>	<b>363,786</b>

## Statement of Changes in Equity

Annual Financial Report 30 June 2017 | Mission Australia Housing

### For the year ended 30 June 2017

<i>In thousands of AUD</i>	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2015	(861)	314,315	15,788	329,242
<b>Total comprehensive income for the year</b>				
Surplus	-	220	35,619	35,839
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges	(1,295)	-	-	(1,295)
Total comprehensive (loss) / income for the year	(1,295)	220	35,619	34,544
<b>Balance at 30 June 2016</b>	<b>(2,156)</b>	<b>314,535</b>	<b>51,407</b>	<b>363,786</b>
Balance at 1 July 2016	(2,156)	314,535	51,407	363,786
<b>Total comprehensive income for the year</b>				
Surplus	-	148	22,000	22,148
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges	1,175	-	-	1,175
Total comprehensive (loss) / income for the year	1,175	148	22,000	23,323
<b>Balance at 30 June 2017</b>	<b>(981)</b>	<b>314,683</b>	<b>73,407</b>	<b>387,109</b>

# Statement of Cash Flows

Annual Financial Report 30 June 2017 | Mission Australia Housing

## For the year ended 30 June 2017

*In thousands of AUD*

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Cash receipts from customers		22,166	19,767
Cash paid to suppliers and employees		(18,204)	(16,573)
<b>Cash generated from operations</b>		<b>3,962</b>	<b>3,194</b>
Interest received		164	184
Interest paid		(1,146)	(980)
<b>Net cash from operating activities</b>	13	<b>2,980</b>	<b>2,398</b>
<b>Cash flows from investing activities</b>			
Proceeds from fixed assets		-	220
Payments for fixed assets and investment properties	4,5	(7,334)	(7,176)
Payments for investments		(4,000)	-
<b>Net cash (used in) investing activities</b>		<b>(11,334)</b>	<b>(6,956)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - parent		2,206	2,485
Repayment of borrowings - parent		-	(226)
Proceeds from bank borrowings		1,880	4,550
<b>Net cash from financing activities</b>		<b>4,086</b>	<b>6,809</b>
Net increase in cash and cash equivalents		(4,268)	2,251
Cash and cash equivalents at 1 July		10,925	8,674
<b>Cash and cash equivalents at 30 June</b>	13	<b>6,657</b>	<b>10,925</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## About this report

### 1. Reporting entity

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

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

### 2. Basis of preparation

- The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations), adopted by the Australian Accounting Standards Board (AASB) and *the Australian Charities and Not-for-profits Commission Act 2012*. The financial statements were authorised for issue by the Board of Directors on 27 October 2017.

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | 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

	2017	2016
	17,370	16,274
	1,936	1,745
	34	37
	56	51
	<b>19,396</b>	<b>18,107</b>
	148	220
	16	3
	20,822	34,449
	223	142
	<b>40,605</b>	<b>52,921</b>

### 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 2017 | 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>In thousands of AUD</i>	<i><b>Owne d Prop ertie s</b></i>	<i><b>Purc has ed fr om SH GF</b></i>	<i><b>Rece ive d un der NB ESP</b></i>	<i><b>Cam per down Com mon Gr ound</b></i>	<i><b>Total</b></i>
<b>Fair value</b>					
Balance at 1 July 2015	8,344	37,438	262,975	33,000	341,757
Purchased	6,948	-	-	-	6,948
Purchased using grant funding	-	-	-	-	-
Received as property transfer	220	-	-	-	220
Disposal	(220)	-	-	-	(220)
Change in fair value	863	4,358	26,258	2,970	34,449
Balance at 30 June 2016	16,155	41,796	289,233	35,970	383,154
Balance at 1 July 2016	16,155	41,796	289,233	35,970	383,154
Purchased	7,154	-	-	-	7,154
Received as property transfer	90	-	-	-	90
Disposal	(133)	-	-	-	(133)
Change in fair value	971	2,567	14,254	3,030	20,822
Balance at 30 June 2017	<b>24,237</b>	<b>44,363</b>	<b>303,487</b>	<b>39,000</b>	<b>411,087</b>

#### Owne d Properties

Mission Australia Housing Owne d 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 \$14.0 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 was successful in its tender application to take on the ownership and management of 68 property sites containing 1,055 dwelling units from Housing NSW. The project is being delivered under the NSW Nation Building Economic Stimulus Plan (NBESP), a Social Housing Initiative.

#### 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 2017 | 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 breaching or being non-compliant to these conditions as less than remote.

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

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

### Security

At 30 June 2017 Investment Properties with a carrying amount of \$347.8 million (2016: \$331.0 million) are subject to a mortgage to secure bank loans (see Note 10).

## 5. Property, plant and equipment

*In thousands of AUD*

Carrying amount as at 1 July 2015

Additions

Depreciation

**Balance at 30 June 2016**

Assets cost

Accumulated depreciation

Carrying amount as at 1 July 2016

Additions

Depreciation

**Balance at 30 June 2017**

Assets cost

Accumulated depreciation

### 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.

	<i>Leasehold Improvement</i>	<i>IT Assets</i>	<i>Plant and Equipment</i>	<i>Total</i>
	276	-	143	419
	-	3	69	72
	(144)	-	(127)	(271)
	<b>132</b>	<b>3</b>	<b>85</b>	<b>220</b>
	618	85	445	1,148
	(486)	(82)	(360)	(928)
	132	3	85	220
	77	-	13	90
	(136)	-	(60)	(196)
	<b>73</b>	<b>3</b>	<b>38</b>	<b>114</b>
	695	85	458	1,238
	(622)	(82)	(420)	(1,124)

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

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

### Accounting Policy

#### Recognition and measurement

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

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

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

#### Subsequent expenditure

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

#### Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated

residual values, using the straight-line basis over the estimated useful lives, and is generally recognised in profit or loss.

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

The estimated useful lives are as follows:

- Building 40-50 years
- Leasehold improvement 3-10 years
- Plant and equipment 3-5 years

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

#### 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.

## 6. Intangible assets

### Computer Software

*In thousands of AUD*

Carrying amount as at 1 July

Acquisitions

Amortisation

Closing net book value as at 30 June

Assets cost

Accumulated amortisation

	2017	2016
Carrying amount as at 1 July	334	815
Acquisitions	-	(78)
Amortisation	(334)	(403)
Closing net book value as at 30 June	-	334
Assets cost	1,937	1,937
Accumulated amortisation	(1,937)	(1,603)



# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 6. Intangible assets (continued)

### Accounting Policy

#### Software

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

## 7. Commitments

### 7.1 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.

### 7.2 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*

Less than one year  
Between one and five years

2017	2016
1,378	214
-	-
<b>1,378</b>	<b>214</b>

During the year, \$17.4 million (2016: \$16.3 million) was recognised as rental income in profit or loss.

### 7.3 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 9 *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 the Company's registration as 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 2017 | Mission Australia Housing

## 7. Commitments (continued)

### 7.4 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

	2017	2016
Less than one year	256	246
Between one and five years	362	535
More than five years	-	-
	<b>618</b>	<b>781</b>

During the year ended 30 June 2017, \$0.19 million (2016: \$0.21 million) was recognised as an expense in the profit or loss in respect of operating leases. The Company does not have any finance lease arrangements at 30 June 2017.

### 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.

## 8. Trade and other receivables

*In thousands of AUD*

### Current

Trade receivables

### Non-current

Other receivables - related parties

	2017	2016
Trade receivables	2,324	2,368
	<b>2,324</b>	<b>2,368</b>
Other receivables - related parties	2,253	2,252
	<b>4,577</b>	<b>4,620</b>

No security is held against related entity balances. The Company's exposure to credit risks and

impairment losses related to trade and other receivables are disclosed in Note 15.

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 8. Trade and other receivables (continued)

### Accounting Policy

#### Impairment

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

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

#### Financial instruments

The Company classify non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss and loans
- loans and receivables

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

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which

substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

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

##### *Loans and receivables*

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

## 9. Investments

*In thousands of AUD*

#### Current

Term deposits - sinking fund

The financial assets designated at fair value through profit or losses are term deposits managed by Westpac.

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 assets in the form of investments above and cash (see note 13).

2017	2016
4,000	-

### Accounting Policy

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

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

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | 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.

### 10. Loans and borrowings

This note provides information about the Company's interest-bearing loans and borrowings which are measured at amortised cost. For more information on Company's exposure to interest rate and liquidity risk, see Note 15.

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

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2017		30 June 2016	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loans	AUD	3.4%	2018	22,930	22,930	21,050	21,050
Unsecured loan from parent	AUD	9.0%	NA	13,494	13,494	10,665	10,665
<b>Total interest-bearing liabilities</b>				<b>36,424</b>	<b>36,424</b>	<b>31,715</b>	<b>31,715</b>

The bank loans are secured over investment properties with a carrying amount of \$347.8 million (2016: \$331.0 million).

### Accounting Policy

#### Financial instruments

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

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

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

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

#### *Cash flow hedges*

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

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 11. Trade and other payables

*In thousands of AUD*

### Current

Trade payables

### Non-current

Other payables

### Total

2017	2016
2,004	1,670
746	2,157
746	2,157
2,750	3,827

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 15.

## 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, total comprehensive income as well as transfers from the asset revaluation reserve.

### 12.3 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 \$0.1 million (2016: \$0.2 million) in the current financial year.

*In thousands of AUD*

Opening balance

Fair value of properties - Better Housing Future

2017	2016
314,535	314,315
148	220
314,683	314,535

## Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

### 13. Cash and cash equivalents

*In thousands of AUD*

	2017	2016
Bank balances	6,023	7,022
Cash at bank - sinking fund	634	3,903
Cash and cash equivalents in the statement of cash flows	<b>6,657</b>	<b>10,925</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 (see note 9).

#### 13.1 Reconciliation of cash flow from operating activities

*In thousands of AUD*

	Note	2017	2016
Cash flows from operating activities			
Surplus for the year		22,148	35,839
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	5	196	271
Amortisation of intangible assets	6	334	403
Gain on sale of fixed assets		9	91
Interest payable		480	289
Loss on Derivative Financial Instrument		120	-
Capital grant	4	(90)	(220)
Change in fair value of investment property	4	(20,822)	(34,449)
		<b>2,375</b>	<b>2,224</b>

#### Operating profit before changes in working capital and provisions

Change in trade and other receivables	44	(97)
Change in prepayments	(118)	(97)
Change in trade and other payables	334	168
Change in employee benefits	78	107
Change in deferred income	267	93
<b>Net cash generated from operations</b>	<b>2,980</b>	<b>2,398</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 14. Finance income and finance costs

*In thousands of AUD*

	2017	2016
Recognised in profit or loss		
Interest income on financial assets #	182	184
Finance income	182	184
Interest expense on financial assets #	(1,625)	(1,269)
Finance expense	(1,625)	(1,269)
<b>Net finance costs recognised in (deficit)</b>	<b>(1,443)</b>	<b>(1,085)</b>

*# Interest income and (expense) in respect of assets, (liabilities) not classified as held as at fair value through profit or loss*

## Accounting Policy

### Finance income and expense

The Company's finance income and finance costs include;

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

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

## 15. Financial risk management

### 15.1 Overview

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

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

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

### 15.2 Risk management framework

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 15. Financial risk management (continued)

### 15.3 Credit risk

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

#### i. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's customer base are primarily residents occupying accommodation, Federal and State government, and financial institutions.

Losses have occurred infrequently. An impairment allowance is recognised when a receivable is not expected to be collectable. The Company does not require any collateral in respect of trade and other receivables.

The carrying amount and the Company's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer is shown in the table. It does not include Fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>In thousands of AUD</i>	Carrying amount	
	2017	2016
Governments	1,989	2,052
Other customers	335	316
Other related parties	2,253	2,252
	<b>4,577</b>	<b>4,620</b>

#### Impairment losses

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

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2017	2017	2016	2016
Not past due	2,146	-	2,107	-
Past due 0-30 days	87	-	242	-
Past due 31-120 days	91	-	19	-
	<b>2,324</b>	<b>-</b>	<b>2,368</b>	<b>-</b>



# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 15. Financial risk management (continued)

### 15.3 Credit risk (continued)

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

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

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

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

*In thousands of AUD*

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

Other customer:

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

	2017	2016
Receivable from State and Federal governments (low risk)	1,989	2,052
Receivable from related parties (low risk)	2,253	2,252
Other customer:		
Four or more years trading history with the Company	-	-
Less than four years of trading history with the Company	335	316
	<b>4,577</b>	<b>4,620</b>

Based on historical default rates, debtor analysis and the Company's monitoring of customer credit risk, no impairment allowance is considered necessary in respect of trade receivables not past due.

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired. No trade and other receivables that were neither past due nor impaired are included in the higher risk category in the above table. \$0.3 million from other customers mainly represents balance only from tenants. This balance is net of provision for doubtful debts of \$0.6 million.

### 15.4 Liquidity risk

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

The Company maintains an inter-company loan account facility with its parent, Mission Australia. Interest on inter-company loan account facility

#### ii. Investments

The Company limits its exposure to credit risk by only investing in liquid securities. The Company ensures that it has sufficient cash or cash equivalents on demand and investments that can be liquidated at short notice to meet operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains \$37.0 million loan facilities that are secured by registered mortgages over certain Investment properties of the company. Interest would be payable on a daily basis at an average rate of 3.4 per cent.

accrues on a daily basis at the prevailing rate of 9 per cent.

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

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

The following table indicates:

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 15. Financial risk management (continued)

### 15.4 Liquidity risk (continued)

*In thousands of AUD*

2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
<b>Financial liabilities</b>					
Trade and other payables	2,750	2,750	2,004	-	746
Loans and Borrowings	36,424	41,612	995	995	39,622
	<b>39,174</b>	<b>44,362</b>	<b>2,999</b>	<b>995</b>	<b>40,368</b>
<b>Derivative financial liabilities</b>					
Interest rate swap used for hedging	<b>981</b>	<b>981</b>	-	-	<b>981</b>
<b>2016</b>					
<b>Financial liabilities</b>					
Trade and other payables	3,827	3,827	1,670	-	2,157
Loans and Borrowings	31,715	34,715	375	375	33,965
	<b>35,542</b>	<b>38,542</b>	<b>2,045</b>	<b>375</b>	<b>36,122</b>
<b>Derivative financial liabilities</b>					
Interest rate swap used for hedging	2,156	2,156	-	-	2,156

*Deferred income and some accruals are not financial liabilities and are excluded.*

### 15.5 Market risk

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

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

#### i. Currency risk

The Company is not exposed to any currency risk.

#### ii. Interest rate risk

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

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 15. Financial risk management (continued)

### 15.5 Market risk (continued)

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

##### *Exposure to interest rate risk*

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

	2017 Carrying amount	2016 Carrying amount
<i>In thousands of AUD</i>		
<b>Fixed rate instruments</b>		
Financial assets	10,650	10,922
Effect of interest rate swaps	(26,027)	(19,767)
	(15,377)	(8,845)
<b>Variable rate instruments</b>		
Financial liabilities	(36,424)	(31,715)
Effect of interest rate swaps	26,027	19,767
	(10,397)	(11,948)
	<b>(25,774)</b>	<b>(20,793)</b>

##### *Sensitivity analysis*

###### *Fixed rate instrument*

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

A change of 1 per cent in interest rates would have increased or decreased equity by \$348,920 (2016: \$307,500).

###### *Variable rate instrument*

A change of 1 per cent in average bank loan interest rate at the reporting date would have increased / (decreased) equity and profit or loss by \$15,320 (2016: \$9,650).

## 16. 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.

### 16.1 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.

### 16.2 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.

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 16. Determination of fair values (continued)

### 16.3 Investment property

Investment properties are held at fair value based on a determination of their highest and best use and follows the fair market hierarchy disclosed in note 16.5. 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.

### 16.4 Fair values versus carrying amounts

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

In thousands of AUD	Note	2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	13	6,657	6,657	10,925	10,925
Investment	9	4,000	-	-	-
Trade and other receivables	8	4,577	4,577	4,620	4,620
Trade and other payables	11	(2,750)	(2,750)	(3,827)	(3,827)
Loans and Borrowings	10	(36,424)	(36,424)	(31,715)	(31,715)
Interest rate swap used for hedging		(981)	(981)	(2,156)	(2,156)
		<b>(24,921)</b>	<b>(28,921)</b>	<b>(22,153)</b>	<b>(22,153)</b>

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

### 16.5 Fair value hierarchy

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

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

In thousands of AUD

30 June 2017	Level 1	Level 2	Level 3	Total
Interest rate swap used for hedging	-	(981)	-	(981)
	-	(981)	-	(981)
30 June 2016	Level 1	Level 2	Level 3	Total
Interest rate swap used for hedging	-	(2,156)	-	(2,156)
	-	(2,156)	-	(2,156)

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## 16. Determination of fair values (continued)

### 16.5 Fair value hierarchy (continued)

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

### Accounting policy

#### Use of estimates and judgements

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

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

#### i. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2017 are included in the following notes:

- Note 4 – *Investment Property*
- Note 15 – *Financial Risk Management*

#### ii. Measurement of Fair Value

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

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

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the

conclusion that such valuations meet the requirements of AASB, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

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

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

- Note 15 - *Financial Risk Management*
- Note 4 - *Investment Property*

# Notes to the Financial Statements

Annual Financial Report 30 June 2017 | Mission Australia Housing

## Our people

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

### 17. Personnel expenses

*In thousands of AUD*

	2017	2016
Wages and salaries	3,606	2,958
Other associated personnel expenses	244	539
Contributions to defined contribution plans	334	269
	<b>4,184</b>	<b>3,766</b>

#### Short-term benefits

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

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

#### Other long-term employee benefits

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

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

#### Termination benefits

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

### 18. Related parties

The key management personnel compensation is as follows:

*In AUD*

	2017	2016
Short-term employee benefits	1,205,666	1,198,845
Long-term benefits	15,295	8,896
Post-employment benefits	114,836	110,368
	<b>1,335,797</b>	<b>1,318,109</b>

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 by the Company's Parent Mission Australia.

### 19. 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

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## Other disclosures

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

### 20. Subsequent events

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

have a material effect on the Company's financial statements at 30 June 2017.

### 21. Auditor's remuneration

in AUD

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

Audit of financial reports

2017	2016
58,000	56,000

### 22. 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.

### 23. Significant accounting policies

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

#### 23.1 Income tax

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

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

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

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

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



## 23. Significant accounting policies (continued)

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB15*, AASB 2015-8 *Amendment to Australian Accounting Standards-Effective Date of AASB 15 and AASB 2016-3 Amendments to Australian Accounting Standards-Clarifications to AASB 15*, AASB 1058 *Income of Not for Profit Entities*, AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards- Australian Implementation Guidance for Not-for-Profit Entities*.
- AASB 16 *Leases (effective 1 January 2019)*
- AASB 2016-2 *Amendments to Australian Accounting Initiative: Amendments to AASB 107*

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 7.4. The disclosed amounts indicate that the impact of AASB 16 *lease* will result in a material gross up of the total assets and liabilities of the Company.

### 23.3 Financial liabilities

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

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

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

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

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

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



## Directors' Declaration

Annual Financial Report 30 June 2017 | Mission Australia Housing

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### Directors' Declaration

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

- a) the financial statements and notes set out on pages 11 to 31 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 2017 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, 27 October 2017.



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**Catherine Yeomans**  
Chairman



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**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 the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2017.
- 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 unqualified 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 the Company's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

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 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.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- ii. Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. Concluding 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 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 Company to cease to continue as a going concern.
- vi. Evaluating 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.



KPMG



Anthony Travers

Partner

Sydney

27 October 2017