

MISSION AUSTRALIA HOUSING

(ABN 13 003 683 261)

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

30 June 2015

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MISSION AUSTRALIA HOUSING

Level 7, 580 George Street

Sydney, NSW 2000

Tel: (02) 9219 2000

ABN 13 003 683 261

DIRECTORS' REPORT

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

The Directors present their report for Mission Australia Housing (the Company) for the financial year ended 30 June 2015 and the auditor's report thereon.

1. Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Ms Catherine Yeomans, LLB MAICD Chairperson	Appointed as a 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 positions in 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, the Mission Providence Pty Ltd joint venture and Working Links Employment Ltd UK.
Ms Sally Ascroft, BEc LLB, GAICD	Appointed as a Director in March 2014. Sally has over 25 years' legal experience, is a former partner of King Wood Mallesons and former General Counsel and Company Secretary of The Trust Company. Sally is a Director and Secretary of Mission Australia Housing (Victoria) and Company Secretary of Mission Australia.
Mr Chris Bratchford, LLB, MBA, GAICD	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).
Mr Iain Keddle, BSc (Hons), ACA	Appointed as a Director on 19 November 2014 after having joined Mission Australia as Chief Financial Officer. Previously, Iain has been CFO and Executive of listed and private companies (including Cuscal, Espreon, Orotan and Solution 6) and has worked in London and Sydney for PricewaterhouseCoopers and Ernst & Young. Iain is also a Director of Mission Australia Housing (Victoria) and the Mission Providence Pty Ltd joint venture.
Mr James Toomey, MSc, MBA, GAICD	Appointed as a Director on 17 September 2015. James is Executive, Operations and Fundraising at Mission Australia, the parent Company of Mission Australia Housing. 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).
Ms Evelyn Horton, BEc, MSocSci (Econs), GAICD Non-Executive Director	Appointed as a Director in July 2011. Evelyn is an independent Director of Mission Australia. Evelyn resigned as Director and Chairman on 14 September 2015.
Mr Rod Fehring, BA, B. App Sci, Grad Dip, AMP (Wharton) Non-Executive Director	Appointed as a Director in July 2011. He resigned as a Director of the Company on 18 August 2015.
Mr Peter Rowe, Dip Law (SAB), MAICD Non-Executive Director	Appointed as a Director in December 2011. Peter resigned as Director on 14 September 2015.
Mr Timothy Morris-Smith, BA (Hons), ACA	Appointed as a Director and Secretary in May 2009. Tim resigned as a Director on 31 October 2014 on leaving his role as Chief Financial Officer of Mission Australia, the parent Company of 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	7
Ms Sally Ascroft	7	7
Iain Keddie*	3	3
Ms Evelyn Horton [#]	7	7
Mr Rod Fehring [#]	6	7
Mr Peter Rowe [#]	7	7
Mr Timothy Morris-Smith**	3	3
* Appointed during the year ** Resigned during the year [#] Resigned subsequent to year end		

[#] An external Board Review was completed in August 2015 which was considered by the Nomination Remuneration and Succession Committee as part of a high level governance review of the Company. The review was undertaken against the background of the Mission Australia strategy of reducing homelessness and strengthening communities, housing regulatory requirements and the need for proper management, responsibility and accountability. Following this review to effectively enable the Mission Australia Board's role and responsibilities in respect of the Company to be met whilst strengthening the overall management, accountability and governance of the Company Mission Australia, as the sole member of the Company, approved the creation of an executive Board. At the request of Mission Australia the two non-executive Directors at the time, Evelyn Horton and Peter Rowe resigned effective 14 September 2015 and two executive Directors James Toomey and Chris Bratchford were appointed effective 17 September 2015.

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. As a registered charity regulated by Australian Charities and Not-for-profit Commission (ACNC), The Company applies the ACNC Governance Standards and as part of the Mission Australia Governance arrangement is guided by and applies, where practicable and relevant to do so, the Corporate Governance Principles and Recommendations established by the Australian Securities Exchange Corporate Governance Council.

The Company seeks to meet or exceed the National Community Housing Standards including the Governance and organisational Managed Standard.

The Mission Australia's Governance Statement is included on page 39 of this report.

DIRECTORS' REPORT

MISSION AUSTRALIA HOUSING

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5. Principal activities and objectives

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

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

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

6. Operating and financial review

6.1 Operating results

The Company reported an underlying operating surplus of \$1.6 million for the current financial year (2014: \$3.4 million).

In thousands of AUD

	2015	2014
Operating revenue	17,707	17,024
Expenditure	16,089	13,615
Underlying operating surplus	1,618	3,409
Revenue from housing grant	184,400	4,073
Movement in fair value of investment property	10,291	1,237
Net surplus	196,309	8,719

The reduction in underlying surplus of \$1.8 million reflects increases in required repairs and maintenance expenditure to ensure building lifecycle management is maintained.

Significant matters include:

- The Company received capital grants of \$151.4 million representing the vesting of 561 dwellings from Housing NSW under Tranche 2 of the Nation Building Economic Stimulus Plan (NBESP) scheme.
- The Company also received capital grants of \$33.0 million representing the vesting of property at Camperdown NSW.
- The Company revalued its portfolio of investment properties in accordance with policy resulting in increase of \$10.3 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.

DIRECTORS' REPORT

MISSION AUSTRALIA HOUSING

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8. Likely developments

By November 2015, the Company expects to complete financing of an additional \$20.5 million plus refinancing of the existing \$16.5 million debt facility with Commonwealth Bank of Australia to partially fund the Nation Building obligations. The funds consist of two tranches of \$16.5 million and \$20.5 million over 7 years.

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

9. Directors' interests

The Directors had no material interests in contracts or proposed contracts with the Company during the course of the financial year other than that noted in the statutory information of this report.

10. Indemnification and insurance of officers and Directors

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

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

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

11. Non-audit services

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

In AUD

Auditors of the Company - KPMG:

Audit and review of financial reports

Services other than statutory audit:

Other services

Other assurance services

2015	2014
54,400	52,790
22,148	40,788
22,148	40,788

12. 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.

DIRECTORS' REPORT
MISSION AUSTRALIA HOUSING
30 JUNE 2015 ANNUAL FINANCIAL REPORT

13. Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for financial year ended 30 June 2015.

14. Registered office

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

15. Founder

The Company was founded by its parent, Mission Australia.

16. Founding Purpose

The Company exists for the public charitable purposes of providing relief of poverty, sickness, destitution, helplessness and distress to people with low incomes by the provision of housing solutions that enables Australians in need, to participate in their communities.

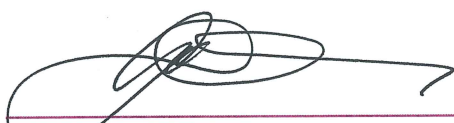
17. Rounding off

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

18. Annual General Meeting

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

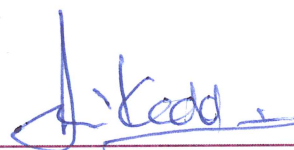
This report is made in accordance with a resolution of the Directors:



Catherine Yeomans

Chairman

Melbourne, 26 October 2015



Iain Keddie

Director

Melbourne, 26 October 2015



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 2015 there have been:

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

KPMG

KPMG

Anthony Travers
Partner

Sydney

26 October 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015

In thousands of AUD

	Note	2015	2014
Income from rental	7	15,510	14,744
Government contributions and other fees for service income	7	1,799	1,796
Revenue from housing grants - restricted	6	184,400	3,833
Other government grants		95	151
Change in fair value on investment property		10,291	1,237
Other income		154	520
Total revenue for the year		212,249	22,281
Personnel expenses	8	(2,894)	(2,817)
Utility expenses		(3,334)	(3,295)
Repair and maintenance expenses		(4,234)	(2,640)
Management fees - Mission Australia		(1,028)	(723)
Insurance expenses		(807)	(693)
Legal and other consultancy expenses		(298)	(202)
Depreciation and amortisation expenses	12,13	(664)	(478)
Bad debts expenses		(701)	(728)
Communication expenses		(138)	(215)
Rent expenses		(171)	(179)
Transport and equipment hire expenses		(202)	(137)
Other expenses		(396)	(315)
Total expenses for the year		(14,867)	(12,422)
Results from operating activities		197,382	9,859
Finance income		149	53
Finance costs		(1,222)	(1,193)
Net finance costs	9	(1,073)	(1,140)
Net surplus for the year		196,309	8,719
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(53)	(23)
Other comprehensive (loss) / income for the year		(53)	(23)
Total comprehensive income for the year		196,256	8,696
Net surplus attributable to			
Members of the Company		196,309	8,719
Net surplus for the year		196,309	8,719
Total comprehensive income attributable to			
Members of the Company		196,256	8,696
Total comprehensive income for the year		196,256	8,696

STATEMENT OF FINANCIAL POSITION

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

As at 30 June 2015

In thousands of AUD

	Note	2015	2014
Assets			
Cash and cash equivalents	10	8,674	4,452
Trade and other receivables	14	2,251	2,669
Prepayments		379	611
Total current assets		11,304	7,732
Trade and other receivables	14	2,252	2,187
Property, plant and equipment	12	419	470
Investment property	11	7,094	7,193
Investment property - restricted	11	334,663	140,201
Intangible assets	13	815	1,218
Total non-current assets		345,243	151,269
Total assets		356,547	159,001
Liabilities			
Trade and other payables	15	1,621	1,125
Employee benefits	17	108	137
Deferred income		54	170
Total current liabilities		1,783	1,432
Other payables	15	742	808
Loans and borrowings	16	24,741	23,738
Employee benefits	17	39	37
Total non-current liabilities		25,522	24,583
Total liabilities		27,305	26,015
Net assets		329,242	132,986
Equity			
Cash flow hedging reserves		(861)	(808)
Accumulated surplus - restricted	18	314,315	129,915
Accumulated surplus		15,788	3,879
Total equity		329,242	132,986

STATEMENT OF CHANGES IN EQUITY

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015

<i>In thousands of AUD</i>	Cash flow Hedge Reserve	Restricted Accumulated Surplus	Accumulated (Deficit) / Surplus	Total Equity
Balance at 1 July 2013	(785)	126,082	(1,007)	124,290
Total comprehensive income for the year				
Surplus	-	3,833	4,886	8,719
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	(23)	-	-	(23)
Total other comprehensive loss	(23)	-	-	(23)
Total comprehensive (loss) / income for the year	(23)	3,833	4,886	8,696
Balance at 30 June 2014	(808)	129,915	3,879	132,986
Balance at 1 July 2014	(808)	129,915	3,879	132,986
Total comprehensive income for the year				
Surplus	-	184,400	11,909	196,309
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	(53)	-	-	(53)
Total other comprehensive loss	(53)	-	-	(53)
Total comprehensive (loss) / income for the year	(53)	184,400	11,909	196,256
Balance at 30 June 2015	(861)	314,315	15,788	329,242

STATEMENT OF CASH FLOWS

MISSION AUSTRALIA HOUSING

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For the year ended 30 June 2015

In thousands of AUD

	Note	2015	2014
Cash flows from operating activities			
Cash receipts from customers		19,282	16,152
Cash paid to suppliers and employees		(14,905)	(12,403)
Cash generated from operations		4,377	3,749
Interest received		149	53
Interest paid		(1,057)	(1,174)
Net cash from operating activities	10	3,469	2,628
Cash flows from investing activities			
Proceeds from fixed assets		356	28
Payments for fixed assets	11,12	(210)	(118)
Payments for intangible assets	13	-	(205)
Net cash from / (used in) investing activities		146	(295)
Cash flows from financing activities			
Proceeds from borrowings - parent		607	1,502
Net cash from financing activities		607	1,502
Net increase in cash and cash equivalents		4,222	3,835
Cash and cash equivalents at 1 July		4,452	617
Cash and cash equivalents at 30 June	10	8,674	4,452

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL 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

2.1 Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations), adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 26 October 2015.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value; and
- investment properties are measured at fair value.

The methods used to measure fair values are discussed further in Note 4. The financial report has been prepared on a going concern basis.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

i. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2015 are included in the following notes:

- Note 5 – *Financial Risk Management*
- Note 11 – *Investment Property*

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

ii. Measurement of Fair Value

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

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

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB, including the level in the fair value hierarchy in which such valuations should be classified.

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

When measuring the fair value of an asset or a liability, the Company uses 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 5 - *Financial Risk Management*
- Note 11 - *Investment Property*

2.5 Changes in accounting policies

In the current year, the Company has adopted all of the following and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period:

- AASB 1031 *Materiality, and AASB 2014-1 Amendments to Australian Accounting Standards (Part C-Materiality)*
- AASB 2012-3 *Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities (Amendments to AASB132)*
- AASB 2013-4 *Amendments to Australian Accounting Standards-Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-9 *Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments (Part B)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part A-Annual Improvements 2010-2012 and 2011-13 Cycles)*

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

3. Significant accounting policies

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

3.1 Financial instruments

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

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

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

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

ii. 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.

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.

iii. 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.

iv. 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.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

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

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

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and 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.

3.2 Property, plant and equipment

i. 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.

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers less subsequent depreciation for buildings

ii. 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.

iii. Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight-line basis over the estimated useful lives, and is generally recognised in profit or loss.

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

The estimated useful lives for the current and comparative periods are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

30 JUNE 2015 ANNUAL FINANCIAL REPORT

3. Significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

iv. Reclassification of investment property

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

3.3 Intangible assets

i. 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 accumulated impairment losses.

ii. Subsequent expenditure

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

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for the current and comparative periods are as follows:

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

- Computer software 5 years

3.4 Investment property

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

3.5 Impairment

i. Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse change on the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a Company of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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3. Significant accounting policies (continued)

3.5 Impairment (continued)

i. Non-derivative financial assets (continued)

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

ii. Non-financial assets

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

3.6 Employee benefits

i. Short-term benefits

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

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

ii. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurement is recognised in profit or loss in the period in which they arise.

iii. Termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

3.7 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

i. Restructuring

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

3.8 Revenue

i. Revenue from housing services

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

ii. Revenue from housing grants

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

3.9 Government grants

All unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

3.10 Leases

i. Lease payments

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

ii. Determining whether an arrangement contains a lease

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

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

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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3. Significant accounting policies (continued)

3.11 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.

3.12 Income tax

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

3.13 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(Part C-Financial Instruments)*, AASB 2014-1 *Amendments to Australian Standards*, 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) (effective 1 January 2018)
- AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-15 *Amendments to Australian Accounting Standards arising from AASB15* (effective 1 January 2017)
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation* (effective 1 January 2016)
- AASB 2015-1 *Amendments to Australian Accounting Standards- Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (effective 1 January 2016)
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (effective 1 January 2016)
- AASB2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective 1July 2015)

It is anticipated that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Determination of fair values (continued)

4.1 Land and buildings

The fair value of land and buildings is based on market values. The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4.2 Trade and other receivables

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

4.3 Non-derivative financial liabilities

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

4.4 Investment property

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

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

5. Financial risk management

5.1 Overview

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

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

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

5.2 Risk management framework

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Company manages its 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.

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5. Financial risk management (continued)

5.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment 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 primarily consists of residents occupying accommodation, the federal government, state governments and financial institutions.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectable. The Company does not require any collateral in respect of trade and other receivables.

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Note	Carrying amount	
		2015	2014
Receivables from related parties	14	2,252	2,187
Trade and other receivables	14	2,251	2,669
		4,503	4,856

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

<i>In thousands of AUD</i>	Carrying amount	
	2015	2014
Governments	1,923	1,931
Other customers	328	738
Other related parties	2,252	2,187
	4,503	4,856

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
	2015	2015	2014	2014
Not past due	2,006	-	2,102	-
Past due 0-30 days	227	-	284	-
Past due 31-120 days	18	-	283	-
	2,251	-	2,669	-

NOTES TO THE FINANCIAL STATEMENTS

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5. Financial risk management (continued)

5.3 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:

<i>In thousands of AUD</i>	2015	2014
Receivable from State and Federal governments (low risk)	1,923	1,931
Receivable from related parties (low risk)	2,252	2,187
Other customer:		
Four or more years trading history with the Company	-	-
Less than four years of trading history with the Company	328	738
	4,503	4,856

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 \$0.7 million.

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

5.4 Liquidity risk

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

The Company maintains an inter-company loan account facility with its parent, Mission Australia. Interest on inter-company loan account facility would be payable on a daily basis at the prevailing rate of 9 per cent.

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.
- the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

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5. Financial risk management (continued)

5.4 Liquidity risk (continued)

In thousands of AUD

2015

Financial liabilities

Trade and other payables

Loans and Borrowings

Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 12 months
--------------------	---------------------------	---------------------	----------------	------------------------

2,363	2,363	1,621	-	742
24,741	28,989	531	531	27,927
27,104	31,352	2,152	531	28,669

Derivative financial liabilities

Interest rate swap used for hedging

861	861	-	-	861
------------	------------	----------	----------	------------

2014

Financial liabilities

Trade and other payables

Loans and Borrowings

1,933	1,933	1,125	-	808
23,738	27,986	531	531	26,924
25,671	29,919	1,656	531	27,732

Derivative financial liabilities

Interest rate swap used for hedging

808	808	-	-	808
------------	------------	----------	----------	------------

Deferred income and some accruals (i.e. straight-lining of interest expenses) are not financial liabilities and therefore are excluded in the analysis.

5.5 Market risk

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

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

i. Currency risk

The Company is not exposed to any currency risk.

ii. Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

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5. Financial risk management (continued)

5.5 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:

2015

<i>In thousands of AUD</i>	Carrying amount \$	Average %	Interest rate range	
			From %	To %
Fixed rate instruments				
Financial liabilities				
- Bank loans	15,535	6.0	5.3	6.7
- Loan from parent	8,241	9.0	9.0	9.0
	23,776			
Variable rate instruments				
Financial liabilities				
- Loans and borrowings	965	4.1	3.6	4.2
	965			

2014

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

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 \$237,760 (2014: \$227,730).

Variable rate instrument

A change of 1 per cent in average bank loan interest rate at the reporting date would have increased / (decreased) equity and profit or loss by \$9,650 (2014: \$9,650).

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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5. Financial risk management (continued)

5.6 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	2015		2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	10	8,674	8,674	4,452	4,452
Trade and other receivables	14	4,503	4,503	4,856	4,856
Trade and other payables	15	(2,363)	(2,363)	(1,933)	(1,933)
Loans and Borrowings	16	(24,741)	(24,741)	(23,738)	(23,738)
Interest rate swap used for hedging		(861)	(861)	(808)	(808)
		(14,788)	(14,788)	(17,171)	(17,171)

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

5.7 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 2015

	Level 1	Level 2	Level 3	Total
Interest rate swap used for hedging	-	(861)	-	(861)
	-	(861)	-	(861)

30 June 2014

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

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.

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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6. Housing grants

This note provides information about the grants received by the Company from various state governments in form of stock transfer or cash grants to purchase the housing stock.

In thousands of AUD

Fair value of properties received under NBESP **

Fair value of properties received - BHF***

Fair value of properties received under Camperdown Common Ground

Total grant received

2015	2014
151,400	3,833
-	240
33,000	-
184,400	4,073

** Nation Building Economic Stimulus Plan

*** Better Housing Futures

6.1 Stock transfers received under Nation Building Economic Stimulus Plan (NBESP)

In 2011, Mission Australia Housing was successful in its tender application to take on the ownership and management of 68 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. Per the requirement of this tender, successful applicants were to receive title to a given number of units and, in return, were required to:

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

Mission Australia Housing received title to 494 of these units (as first instalment) in April 2011 with a further 521 dwellings vested on 11 July 2014 and the remaining 40 dwellings vested on 25 June 2015.

6.2 Stock transfers received under 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. As with stock transfers previously received under the NBESP, the provision of title under the Vesting Agreement was predicated on the basis that Mission Australia Housing would:

- deliver property and management services to clients eligible for public housing, including people with high-level housing needs;
- allocate the accommodation to particular client groups in accordance with specified target quotas;
- use the properties to leverage financial resources in partnership with private sector institutions.
- use those resources to create additional affordable housing targeted towards low to moderate income households experiencing housing stress; and
- continue the Camperdown Common Ground Project until 6 October 2031 to provide social and affordable housing based on the quotas specified within the Vesting Agreement and related allocations also outlined in the Grant Funding Agreement related to Common Ground.

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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6. Housing grants (continued)

6.3 Better Housing Futures

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

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

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

The NBESP and 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 (transferred under the two grants) to the funding bodies. The Company has assessed the likelihood of breaching or being non-compliant to these conditions as less than remote.

7. Revenue

In thousands of AUD

Revenue from rendering services

Rental revenue from housing services
Government contribution - rent
Fee for service income
Management fees

2015	2014
15,510	14,744
1,704	1,660
43	38
52	98
17,309	16,540

8. Personnel expenses

In thousands of AUD

Wages and salaries
Other associated personnel expenses
Contributions to defined contribution plans

2015	2014
2,159	2,358
539	249
196	210
2,894	2,817

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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9. Finance income and finance costs

In thousands of AUD

Recognised in profit or loss

Interest income

Finance income

Interest expense

Finance expense

Net finance costs recognised in (deficit)

The above finance income and costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:

Total interest income on financial assets

Total interest expense on financial liabilities

	2015	2014
	149	53
	149	53
	(1,222)	(1,193)
	(1,222)	(1,193)
	(1,073)	(1,140)
	149	53
	(1,222)	(1,193)

10. Cash and cash equivalents

In thousands of AUD

Bank balances

Cash at bank - Sinking fund

Cash and cash equivalents in the statement of cash flows

	2015	2014
	5,866	2,863
	2,808	1,589
	8,674	4,452

Sinking Funds are cash balances set aside for periodic repairs and maintenance of investment properties and are utilised to cover the costs of future capital expenses in the long term.

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

10.1 Reconciliation of cash flow from operating activities

In thousands of AUD

Cash flows from operating activities

Surplus for the year

Adjustments for:

Depreciation of property, plant and equipment

Amortisation of intangible assets

Gain on sale of fixed assets

Interest payable

NBESP stock transfer

Non-cash grant

Caperdown Common Ground grant

Change in fair value of investment property

Operating profit before changes in working capital and provisions

Change in trade and other receivables

Change in prepayments

Change in trade and other payables

Change in employee benefits

Change in deferred income

Net cash generated from operations

Note	2015	2014
	196,309	8,719
12	261	113
13	403	365
	(16)	(5)
	159	79
11	(151,400)	(3,833)
11	-	(240)
11	(33,000)	-
11	(10,291)	(1,237)
	2,425	3,961
14	459	(852)
	232	(69)
15	496	245
17	(27)	7
	(116)	(664)
	3,469	2,628

NOTES TO THE FINANCIAL STATEMENTS

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11. Investment property

<i>In thousands of AUD</i>	<i>Owned Properties</i>	<i>Purchased from SHGF*</i>	<i>Received under NBESP**</i>	<i>Camperdown Common Ground</i>	<i>Total</i>
Fair value	-----Restricted-----				
Balance at 1 July 2013	6,436	30,127	105,533	-	142,096
Purchased	10	-	1	-	11
Received as property transfer	248	-	3,833	-	4,081
Disposal	(31)	-	-	-	(31)
Change in fair value	530	3,721	(3,014)	-	1,237
Balance at 30 June 2014	7,193	33,848	106,353	-	147,394
Balance at 1 July 2014	7,193	33,848	106,353	-	147,394
Received as property transfer	-	-	151,400	33,000	184,400
Disposal	(328)	-	-	-	(328)
Change in fair value	229	2,810	7,252	-	10,291
Balance at 30 June 2015	7,094	36,658	265,005	33,000	341,757

* Social Housing Growth Fund

** Nation Building Economic Stimulus Plan

Please refer to Note 6 – *Housing grants* for more background information on assets received under Nation Building Economic Stimulus Plan (NBESP).

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.

11.1 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.

11.2 Security

At 30 June 2015 Investment Properties with a carrying amount of \$43.4 million (2014: \$38.6 million) are subject to a mortgage to secure bank loans (see Note 16).

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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12. Property, plant and equipment

In thousands of AUD

Cost Value

	<i>WIP</i>	<i>Leasehold Improvement</i>	<i>IT Assets</i>	<i>Plant and Equipment</i>	<i>Total</i>
Balance at 1 July 2013	13	371	82	293	759
Additions	-	83	-	24	107
Balance at 30 June 2014	13	454	82	317	866
Balance at 1 July 2014	13	454	82	317	866
Additions	(13)	164	-	59	210
Balance at 30 June 2015	-	618	82	376	1,076

Depreciation

	<i>WIP</i>	<i>Leasehold Improvement</i>	<i>IT assets</i>	<i>Plant and Equipment</i>	<i>Total</i>
Balance at 1 July 2013	-	140	75	68	283
Depreciation	-	66	7	40	113
Balance at 30 June 2014	-	206	82	108	396
Balance at 1 July 2014	-	206	82	108	396
Depreciation	-	136	-	125	261
Balance at 30 June 2015	-	342	82	233	657
At 1 July 2013	13	231	7	225	476
At 30 June 2014	13	248	-	209	470
At 1 July 2014	13	248	-	209	470
At 30 June 2015	-	276	-	143	419

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13. Intangible assets

<i>In thousands of AUD</i>	<i>Computer Software</i>	<i>Total</i>
Balance at 1 July 2013	1,810	1,810
Additions	205	205
Balance at 30 June 2014	2,015	2,015
Balance at 1 July 2014	2,015	2,015
Additions	-	-
Balance at 30 June 2015	2,015	2,015

Amortisation

Balance at 1 July 2013	432	432
Depreciation	365	365
Balance at 30 June 2014	797	797
Balance at 1 July 2014	797	797
Depreciation	403	403
Balance at 30 June 2015	1,200	1,200

Carrying amounts

At 1 July 2013	1,378	1,378
At 30 June 2014	1,218	1,218
At 1 July 2014	1,218	1,218
At 30 June 2015	815	815

14. Trade and other receivables

<i>In thousands of AUD</i>	2015	2014
Current		
Trade receivables	2,251	2,669
	2,251	2,669
Non-current		
Other receivables - related parties	2,252	2,187
	4,503	4,856

No security is held against related entity balances. The Company's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 5.

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15. Trade and other payables

In thousands of AUD

	2015	2014
Current		
Trade payables	1,621	1,125
Non-current		
Other payable	742	808
	742	808
Total	2,363	1,933

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

16. Loans and borrowings

This note provides information about the Company's interest-bearing loans and borrowings which are measured at amortised cost. For more information on Company's exposure to interest rate and liquidity risk, see Note 5.

In thousands of AUD

	2015	2014
Non-current		
Bank loans	16,500	16,500
Loan from Parent	8,241	7,238
	24,741	23,738

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

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

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Average interest rate	Year of maturity	30 June 2015		30 June 2014	
				Face Value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	6.4%	2018	16,500	16,500	16,500	16,500
Unsecured loan from parent	AUD	9.0%	NA	8,241	8,241	7,238	7,238
Total interest-bearing liabilities				24,741	24,741	23,738	23,738

The bank loans are secured over investment properties with a carrying amount of \$43.4 million (2014: \$38.6 million).

NOTES TO THE FINANCIAL STATEMENTS

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17. Employee benefits

In thousands of AUD

Current

Liability for annual leave

2015	2014
108	137
108	137

Non-current

Liability for long service leave

39	37
39	37

18. Capital and reserves

18.1 Hedging reserve

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

18.2 Accumulated surplus

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

18.3 Accumulated surplus - restricted

Restricted Accumulated surplus relates to SHGF, Camperdown Common Ground and NBESP grants. Please refer to Note 6 *Housing grants* for more details. The Company has recognised an additional restricted accumulated surplus of \$184.4 million (2014: \$3.8 million) in the current financial year.

In thousands of AUD

Opening balance
Fair value of properties received under
NBESP and Common Ground Grant

2015	2014
129,915	126,082
184,400	3,833
314,315	129,915

19. Operating lease

19.1 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

2015	2014
234	206
681	788
-	69
915	1,063

During the year ended 30 June 2015, \$0.21 million (2014: \$0.20 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 2015.

NOTES TO THE FINANCIAL STATEMENTS

MISSION AUSTRALIA HOUSING

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19. Operating lease (continued)

19.2 Leases as lessor

The Company leases out its investment properties (see Note 11). The future minimum lease receipts under non-cancellable leases are as follows:

<i>In thousands of AUD</i>	2015	2014
Less than one year	588	166
Between one and five years	523	-
	1,111	166

During the year, \$15.5 million (2014: \$14.7 million) was recognised as rental income in profit or loss.

20. Capital and other commitments

20.1 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 this obligation may result in withdrawal of the Company's registration as Community Housing Provider and other consequences of default within its contract with Housing NSW Housing Tasmania.

20.2 Housing commitments

As a Community Housing Provider, Mission Australia Housing has an obligation for scheduled repairs and maintenance of housing properties and to fulfil this obligation, it sets aside cash resources. Refer to Note 10 *Cash and Cash Equivalents* which show \$2.8 million (2014: \$1.6 million) set aside in Sinking Funds to meet future periodic repair and maintenance requirements.

21. Related parties

21.1 Key management personnel compensation

The key management personnel compensation included in 'Personnel expenses' (see Note 8) is as follows:

<i>In AUD</i>	2015	2014
Short-term employee benefits	85,856	181,983
Long-term benefits	2,588	644
Post-employment benefits	9,580	15,763
	98,024	198,390

The compensation disclosed above represents an allocation of the key management personnel's compensation from the Company in relation to their services rendered to the Company.

21.2 Individual Directors' compensation disclosures

The Independent Directors provide their services to the Company on an honorary basis and receive no direct remuneration in respect of the services provided and no indirect remuneration. As at 30 June 2015, three of the six Directors were senior employees of Mission Australia, the parent of Mission Australia Housing. Hence, their duties as Directors of this Company were performed as part of their work responsibility as an employee of Mission Australia. As of reporting date, all Directors are executives.

Amounts reported in this note relate to the remuneration of General Manager. Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

NOTES TO THE FINANCIAL STATEMENTS

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22. 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.

23. 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 2015.

24. Auditors' remuneration

in AUD

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

Audit of financial reports

Other Services

Auditors of the Company

	2015	2014
Audit of financial reports	54,400	52,790
Other Services	22,148	40,788

25. Members' guarantee

Mission Australia Housing is a Company limited by guarantee. In the event of the Company being wound up, Mission Australia, as the sole member might be liable to contribute an amount not exceeding 10 cents.

DIRECTORS' DECLARATION

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 8 to 35 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 2015 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including *the Australian Accounting Interpretations*) and *the Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Melbourne, 26 October 2015.



Catherine Yeomans
Chairman



Iain Keddie
Director

Independent audit report to the members of Mission Australia Housing

Report on the financial report

We have audited the accompanying financial report of Mission Australia Housing (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the ACNC and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report, based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion, the financial report of Mission Australia Housing is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

KPMG

Anthony Travers
Partner

Sydney

26 October 2015

CORPORATE GOVERNANCE STATEMENT

MISSION AUSTRALIA HOUSING

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Corporate Governance

Mission Australia exists to meet human need and to spread the knowledge of the love of God. In conducting our affairs and services to reduce homelessness and to strengthen communities across Australia the Board recognises its role in overseeing the determination and implementation of policies and processes that reflect good corporate governance that together with our Values inform and guide the organisation.

This corporate governance statement demonstrates Mission Australia and its corporate controlled entities Mission Australia Housing, Mission Australia Housing (Victoria) and Mission Australia Early Learning (**Mission Australia Group**) are committed to proper and effective corporate governance arrangements. We constantly seek to maximise efficiency and effectiveness of our operations, while continuing to place our clients at the centre of everything we do.

Each Mission Australia Group company, as a registered charity regulated by the Australian Charities and Not-for-profits Commission (**ACNC**), applies the ACNC Governance Standards.

Although we are not required to do so we are guided by the Corporate Governance Principles and Recommendations established by the Australian Stock Exchange (ASX) Corporate Governance Council. Whilst these principles were developed for listed companies, we seek to apply them where it is practicable and relevant to do so, in conjunction with the ACNC Governance Standards, in recognition of the scale of our business operations, program contractual commitments to good governance and stakeholder expectations.

Governance Standard 1—Purpose and not-for-profit nature of a registered entity

Mission Australia was established in 1859 for public benevolent and charitable purposes and is constituted to provide direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness of people in Australia. Throughout our history our founding purpose as set out in our Constitution has remained central:

Inspired by Jesus Christ, Mission Australia exists to meet human need and to spread the knowledge of the love of God without reference to denomination or any other distinction.

We seek out others that share our vision, working alongside them to create a better future. We stand together with Australians in need, until they can stand for themselves.

Mission Australia Housing and Mission Australia Housing (Victoria) were founded by Mission Australia 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.

Mission Australia Early Learning was founded by Mission Australia for the purpose of providing relief of poverty, sickness, destitution, helplessness and distress with a focus on assisting families with young children through the provision of child care in a setting that where possible integrates child care with a range of broader strategies to support both children and families to overcome barriers. We provide high-quality early learning services to enrich each child's learning potential and recognise and support their unique social, emotional, physical and intellectual needs. Services are child-centred, family focused and connected to the community.

CORPORATE GOVERNANCE STATEMENT

MISSION AUSTRALIA HOUSING

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Governance Standard 2—Accountability to members

(Respect the right of members and other stakeholders and make timely and balanced disclosure)

Mission Australia has members and other stakeholders. The Board is accountable to the members for the conduct of Mission Australia's affairs and the pursuit of our founding purpose and objectives as set out in the Constitution. Mission Australia is the sole member of Mission Australia Housing, Mission Australia Housing (Victoria) and Mission Australia Early Learning.

Each year members of Mission Australia receive notice of the Annual General Meeting where the full financial report is presented to members together with an Annual Report and Directors are elected. The external auditor attends the meeting and is available to answer members' questions about the conduct of the audit, the status of internal control and the preparation and content of the auditor's report. Outside of the Annual General Meeting members are able raise matters of concern directly with the Chairman, the CEO, the CFO and Company Secretary. Our financial statements for the Mission Australia Group are lodged with and are publicly available at the ACNC, and our Annual Report is available on our website.

Mission Australia Group has many stakeholders, including our clients and their families, those we fund to provide services, our donors and benefactors, tenants, our staff and volunteers, the broader community, our suppliers and financiers and the government agencies that provide us with funds and regulate our operations. We adopt a consultative approach in dealing with our stakeholders. We are involved in not-for-profit forums, conduct research, receive feedback from forums and regular surveys, and ensure government at all levels is aware of our main concerns, achievements and remaining abreast of industry developments that affect us.

Mission Australia has more than 200 services that are required to comply with external service Standards prescribed in funding deeds. For many of these, Mission Australia's compliance with the Standards is independently audited as part of an accreditation process. In some cases, Mission Australia must achieve accreditation in order to gain a Licence to operate the service. These standards require organisations to evidence good governance and a commitment to quality, including complaints management processes.

Mission Australia maintains a public website www.missionaustralia.com.au and through this website and other communication channels we communicate to the public and our other stakeholders about various activities, performance and services of the Mission Australia Group.

Governance Standard 3—Compliance with Australian laws

(Act ethically and responsibly)

We recognise that as registered entities under the Australian Charities and Not-for-profits Commission Act 2012 (**ACNC Act**) the Mission Australia Group must comply with Australian laws. As a not-for-profit company limited by guarantee each Mission Australia Group company is registered under the Corporations Act 2001 which continues to apply but in a form modified by the ACNC Act. In accordance with the ACNC Act, the ACNC is the lead regulator and the ACNC Act is the main law applicable to us in relation to corporate governance. Each Mission Australia Group company holds tax endorsements and concessions and are therefore also subject to the Income Tax Assessment Act.

Within the Mission Australia corporate governance framework, Mission Australia Housing and Mission Australia Housing (Victoria) as part of its commitment to good standards of corporate governance also seeks to meet or exceed the National Community Housing Standards and comply with the National Performance Standards. Each Mission Australia Group company has access to shared governance and management resources of Mission Australia and benefits from the Mission Australia Board Committees.

All Directors have been briefed about their duties as "responsible entities" under the ACNC Act.

CORPORATE GOVERNANCE STATEMENT

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Governance Standard 3—Compliance with Australian laws (continued)

The Board strives to lead by example when it comes to acting ethically and responsibly and specifically charges management with the responsibility for creating a culture which promotes ethical and responsible behaviour. The Mission Australia Code of Conduct and our Values apply to the Boards, management and staff of Mission Australia Group. It specifies behavioural standards necessary to maintain confidence in Mission Australia's integrity and can be accessed at our website. Understanding the Code of Conduct and our Values is an integral part of induction programs for Directors and staff and are regularly reminded of the necessity to preserve these Values and expectations. All Board members, senior executives and staff are expected to comply with relevant laws and codes of conduct of relevant professional bodies, and to act with integrity, compassion and respect at all times when dealing with colleagues, clients and others involved in our mission.

The Mission Australia Group has adopted the Mission Australia ethics policy suite including a Whistle-blower Policy, Conflict of Interests Policy, Gifts and Benefits Policy and a Fraud Control and Corruption Prevention Policy. Through these policies we seek to uphold our good reputation and aim to safeguard our staff and our clients, many of whom are vulnerable. They are designed to reinforce a culture in which honesty, integrity and business ethics are a part of everyday behaviour. Each of these policies and details of the Integrity Hotline, which is available to receive reports of possible wrongdoing and unethical practices, are displayed on our website.

The Statement of Enterprise Ethics sets out ethical expectations for people who work for Mission Australia Group as well as the ethical expectations for those working with us.

Support and protection for speaking up about wrongdoing is available to staff, volunteers, contractors, suppliers and clients. Commitment to protection is demonstrated through the Whistleblower Policy and the appointment of Whistle-blower Governance officers and protection officers who are independent of the area subject to any inquiry. We are committed to protecting and respecting the rights of any person who reports improper conduct in good faith.

The Conflict of Interests Policy requires anyone with a conflict of interest to declare it and step outside the decision-making process. Conflicts of interests and conduct are also specifically mentioned in the Mission Australia Board Corporate Governance Charter. Processes are in place for the Mission Australia Group to manage related party transactions and third party contestable transactions.

A Fraud Control and Corruption Prevention Policy addresses fraud and dishonesty prevention systems and procedures. A Fraud Control Strategy identifies systems and processes that contribute to prevention, detection and responses to fraud.

Governance Standard 4—Suitability of responsible entities

(Structure the Board to add value, Remunerate fairly and responsibly)

Board composition

Each Board has an appropriate balance of skills, knowledge, experience and diversity to enable them individually and collectively to exercise their judgment to discharge their duties and responsibilities effectively. We acknowledge that our Directors are "responsible entities" under the ACNC Act and that they must not be persons disqualified from managing a corporation or disqualified by the ACNC from being a responsible entity.

The profile of each Mission Australia Director is available on our website and included in the Annual Report. The Mission Australia Board members, including the Chairman are Independent Non-Executive Directors elected by Mission Australia's members. Mission Australia's Constitution requires no less than 6 and no more than 12 Directors. There are usually 9 Directors. The Board Corporate Governance Charter requires the Board to assess whether each Director is sufficiently independent. Each Director supplies the Chairman with all the necessary, requested information that may be relevant to this assessment.

CORPORATE GOVERNANCE STATEMENT

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Governance Standard 4—Suitability of responsible entities (continued)

Board composition (continued)

Three Directors must retire at each Annual General Meeting with those longest in office selected by rotation. They are eligible for re-election. Directors must retire after the age of 72, unless otherwise agreed. No employee of Mission Australia, including the CEO, can be the Chairman or a Director on the Board of Mission Australia, although they may be Directors of controlled entities of Mission Australia.

Members of the Board receive a letter of appointment detailing the terms and conditions of their appointment and complete an induction program when first appointed. Board and Committee members' knowledge of Mission Australia is maintained by regular visits to operations, management presentations and through access to continuing education programs. The Board evaluates its own performance at least every 3 years through an external review process Mission Australia Housing and Mission Australia Housing (Victoria) Board and Directors also undergoes a board evaluation process with an external review taking place in 2015.

Board Chairman

The Board Chairman's role is articulated in the Board Corporate Governance Charter. The Chairman has primary responsibility of ensuring the integrity of Board processes. The role includes providing leadership, facilitating effective contribution of all Directors and promoting constructive and respectful relationships between Directors and between the Board and management.

Board Committees

The Board has delegated some of its functions to Board Committees, details of which are available on our website:

- Board Audit and Risk Committee
- Nomination Remuneration and Succession Committee
- Service Impact Committee

Independent Advice

The Board Governance Charter enables the Board of Directors to seek independent professional advice at the expense of Mission Australia with the agreement of the Chairman.

Remunerate fairly and responsibly

Non-executive Directors serve on a voluntary basis and do not receive remuneration, although reasonable expenses incurred in the course of carrying out their duties as directors may be reimbursed such as travel, accommodation and meals. There are no Executive Directors on the Board of Mission Australia.

The Board Nomination, Remuneration and Succession Committee is responsible for recommendations to the Board regarding remuneration and other terms and conditions for the CEO and senior executives. The Committee assists the Board with Board succession planning including reviewing the composition of the Boards with the objectives that each Board is composed of Directors who have the skills and experience to fulfil their obligations with diligence and judgement. The Committee members are all Independent Non-Executive Directors. The Committee consults informally during the year and meets at least twice on a formal basis.

We recognise that people who work for Mission Australia usually demonstrate a high level of concern for the disadvantaged, have a strong social conscience and a passionate loyalty to clients. We strive to build practises which will attract retain and motivate high quality senior executives and staff and to align their interests with the Mission Australia purpose.

Mission Australia has a dedicated team of chaplains motivated by our founding purpose to share God's love and meet human need who support our staff through the significant challenges of working with some of Australia's most disadvantaged people. We offer an employee assistance program, a free and confidential counselling service to improve health and wellbeing.

CORPORATE GOVERNANCE STATEMENT

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Governance Standard 4—Suitability of responsible entities (continued)

Diversity

Maintaining a diverse and inclusive workplace is important to Mission Australia. The principles of equal opportunity for women, and other groups in our community, are well aligned with our Values.

Interview guides for potential new staff are designed to ensure all applicants are assessed on a level playing field, based on their competencies and not gender or background. A significant proportion (up to 80%) of our workforce is women in middle management, administrative and clerical staff. On average 50% of our senior management are women. Women represent 33% of our Board members.

Governance Standard 5—Duties of responsible entities

(Solid foundations for management and oversight, Recognise and manage risk, Safeguard integrity in financial reporting)

Foundations for management and oversight

The role of the Board is to ensure Mission Australia has in place a governance framework which ensures we are operating legally, ethically and responsibly in fulfilling our founding purpose and objectives.

The role of the Board is summarised in the Board Corporate Governance Charter which can be viewed at our website.

It includes:

- Providing strategic guidance for the Mission Australia Group and effective oversight of management;
- Establishing the functions reserved to the Board and those delegated to the CEO;
- Appointing the CEO, approving succession plans, monitoring and evaluating the performance of the CEO and determining the goals and objectives for the setting of senior management remuneration policies and practices;
- Monitoring financial results and the effectiveness of the risk-management system and overseeing policies governing the Mission Australia Group operations including those for social, environmental sustainability as well as ethics and transparency; and
- Evaluating the Board's effectiveness and aspiring to excellence in corporate governance.

The Board oversees and monitors management's performance by:

- Selecting, appointing, guiding and monitoring the performance of the CEO;
- Approving Mission Australia's annual budget and financial statements;
- Formulating Mission Australia's strategic plan together with the CEO and executive management;
- Meeting at least six times during the year to:
- Monitor progress in achieving the strategic plan and performance against operating and capital budgets; and
- Receive detailed financial and other reports and input from management to verify Mission Australia's financial performance, viability, solvency and long and short-term sustainability.
- Assigning responsibility to Board Committees to oversee particular aspects of Mission Australia's operations and administration in areas such as finance, audit, risk, service evaluation and review, Board nominations and executive remuneration. Each Board Committee operates under approved charters that are reviewed and updated from time to time as required;
- Monitoring internal control, health and safety, risk management, compliance and quality control frameworks and management information systems as well as reviewing delegations, policies and procedures;
- Reporting to stakeholders on a regular basis, including providing financial reports;

CORPORATE GOVERNANCE STATEMENT

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Governance Standard 5—Duties of responsible entities (continued)

- Overseeing Mission Australia compliance with relevant legislation and regulations; and
- Advocating for Mission Australia whenever and wherever appropriate.

The Board delegates responsibility for Mission Australia's day-to-day operations and administration to the CEO and executive management. A schedule of delegated authority sets out staff decision-making responsibilities and financial contractual thresholds for appropriate levels throughout Mission Australia.

Safeguarding integrity in financial reporting

A Board Audit and Risk Committee is established with three Non-Executive Directors that have accounting or related financial expertise and one ex officio member who is independent of the Board, executive, management and staff of Mission Australia. The other Board Directors, CEO, CFO and head of Enterprise Risk and Assurance have a standing invitation to attend meetings but are not members of the Committee and cannot chair the Committee or vote.

The Committee has a formal Charter with responsibility to assist the Board to fulfil their corporate governance responsibilities for the Group and the Company, particularly in relation to oversight of the:

- maintenance of an effective framework of risk management including compliance and internal controls;
- reliability and integrity of the financial statements and external financial communication;
- effectiveness of the external audit and internal audit functions; and
- adequacy of Mission Australia's insurance coverage.

The Committee includes an annual agenda item for the selection and appointment of the external auditor and considers the rotation of external audit engagement partners.

Under its Charter, the Internal Assurance function reviews the effectiveness and efficiency of Mission Australia's operations and management control environment, and works collaboratively with management on potential improvements.

Recognising and managing risk

Mission Australia is committed to an organisational culture that enables us to achieve our strategic objectives through appropriate management of risk. We also understand that commitment from all levels of the organisation is required to demonstrate behaviours which are consistent with a risk-conscious culture. All staff have a role to play, and are made aware of that role, in achieving our strategic objectives.

The Board has a number of responsibilities specifically relating to risk, including:

- monitoring the effectiveness of Mission Australia's risk management systems, including compliance with regulatory requirements;
- satisfying itself through appropriate reporting and oversight that appropriate internal and external control mechanisms are in place and are being implemented;
- approving Mission Australia's financial statements and monitoring financial performance against approved budget; and
- providing oversight and monitoring of workplace health and safety issues in the Mission Australia Group and considering appropriate WHS reports and information.

In fulfilling these responsibilities, the Board is assisted by the Board Audit and Risk Committee.

Governance Standard 5—Duties of responsible entities (continued)

Recognising and managing risk (continued)

Mission Australia has identified its key risks. These include:

- securing ongoing funding for our work;
- complying with regulatory, funding and contractual obligations;
- minimising impact of damage to credibility and reputation;
- retaining high-quality skilled staff;
- ensuring client, staff and volunteer safety; and
- ensuring the group has the capacity to respond to social, economic and political change.

The recognition and management of risk is undertaken under an enterprise risk policy with architecture and protocols that are informed by the International Risk Management Standard ISO 31000:2009.

We understand there will always be risk associated with the provision of human services and that the risk management framework, model and practices must be tailored accordingly. Risks are identified and owned by the managers of the business in which those risks reside. Those managers are responsible for ensuring their risks are appropriately managed, reported and escalated.

Mission Australia has an internal audit function which provides assurance to senior management and the Board that controls are operating and effective. Internal Audits are completed on the basis of assessed risk in the areas of finance, safety, information technology and compliance with contracts and regulations.

Each Mission Australia Group company has adopted the Mission Australia risk management framework and processes approved by the Mission Australia Board.

Mission Australia is dedicated to social responsibility in the very nature of its activities and is conscious of its environmental impact. Mission Australia is not subject to any significant environmental legislation.