



The Illawarra Community Housing Trust Limited

Trading as The Housing Trust

ABN 18 739 426 566

Annual Report - 30 June 2016

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Contents
30 June 2016

Responsible entities' report	2
Auditor's independence declaration	7
Independent auditor's report to the members of The Illawarra Community Housing Trust Limited	8
Statement of profit or loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14
Responsible entities' declaration	27

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' report
30 June 2016

The responsible entities present their report, together with the financial statements, on the company for the year ended 30 June 2016.

Responsible entities

The following persons were responsible entities of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Campbell (appointed 26 August 2013)
Jennifer Macquarie (appointed 29 January 2013)
Angus Dawson (appointed 01 June 2015)
John Storer (appointed 29 January 2013)
Judy Valic (appointed 02 February 2015)
Michael Szafraniec (appointed 10 March 2014)
Gareth McKeen (appointed 10 March 2014)

Company secretary

The position of company secretary at the end of the financial year was held by Jim O'Shea. Jim was appointed to the role on 7 March 2016. Jim has held a variety of management, board and company secretary roles in Australia since 1985

Principal activities

The principal activity of the company during the course of the financial year was the provision of housing services to people in the Wollongong, Shellharbour and Kiama local government areas. No significant change in the nature of these activities occurred during the year.

Operating results

The surplus of the entity for the financial year was \$80,767,834 (2015: \$869,114). No income tax expense was provided for as the entity is endorsed as a tax exempt charitable entity.

Dividends

The Company is limited by guarantee and as such has no shares. No dividend payment is allowed under the Company's constitution, which states that no part of the income or property of the Company "may be paid or transferred, directly or indirectly, to any member whether by way of dividend, bonus or otherwise".

Strategy and objectives

The Company is focused on eight key strategic imperatives, namely:

1. Provide a high quality customer service, which is up there with the best in Australia;
2. Deliver better support for those who need it, helping people keep their home whilst they work to improve their lives;
3. Work with others to build vibrant, inclusive communities;
4. Own and manage more homes so we can provide customers with a choice of housing options to meet their needs;
5. Invest in the homes we own and manage to ensure they meet the changing needs of customers, are energy efficient and enhance our tenant's well-being;
6. Invest in our people, giving them the opportunity to contribute to a dynamic organisation which is making a difference in our community;
7. Grow the portfolio and service offer for a sustainable future; and
8. Run an effective and efficient business, which delivers value for money.

Review of operations

A review of the operations of the Company indicated an increase of 1.3% in rental and property related income and an increase of 7.9% in government grants received, Tenancy and property management expenses increased by 4.6% and employment expenses increased by 34.0%. The movements in income and expenses have largely been in line with occupancy, indexation and other internal business changes and expectations.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Company occurred during the financial year.

After Balance Date Events

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

Future Developments

The entity expects to maintain the present status and level of operations.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Information on responsible entities

Name:	David Campbell
Qualifications:	Master of Management, FAICD
Experience and expertise:	David Campbell has significant senior leadership experience in development, implementation, measurement and accountability of Public Policy at both Local Government and State Government levels. He is a Master of Management Graduate, Honorary Fellow of the University of Wollongong and also has a Diploma from the Australian Institute of Company Directors. David brings 30 years of board background in the Health, Arts, Community Service, Economic Development, Superannuation and Commerce sectors to his current board role.
Special responsibilities:	Member Director, Chairperson Finance, Risk & Audit Committee, Governance & HR Committee Member
Name:	Jennifer Macquarie
Qualifications:	Bachelor of Commerce (Marketing), Master of Business Administration, Current holder of Real Estate License.
Experience and expertise:	Jennifer Macquarie is a property specialist, having worked in the development industry for over 20 years, initially in her family business, The Miltonbrook Group and more recently her own Fountaindale Group development company. Her experience crosses the areas of marketing, project management, finance and business administration. Jennifer has participated in a broad range of development projects from rural and residential subdivisions through to apartment and commercial premises. Jennifer has a keen interest and focus on innovation in affordable housing and social outcomes of property development. Jennifer serves on the executive of the committee of the Property Council Illawarra Chapter and chairs their affordable housing sub-committee.
Special responsibilities:	Member Director, Deputy Chairperson, Chairperson Property Committee

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' report
30 June 2016

Name: Angus Dawson
Qualifications: Bachelor of Applied Science (Building) UTS
Experience and expertise: Angus Dawson has over 35 years' experience in the fields of property development and commercial construction. He has worked in senior executive roles in private and public sector organisations in New South Wales, Queensland and throughout the UK. In government, as CEO, Angus led the NSW Government's delivery of the \$3.45 billion Building the Education Revolution, the Growth Centres Commission and the Honeysuckle Development Corporation. Both the Building the Education Revolution and the Growth Centres Commission were start-up organisations. In the private sector Angus established Lansdown Homes, an integrated residential development company in Sydney and Brisbane, and was its first General Manager and later a Director. Lansdown achieved a \$70 million turnover in its second operational year. He was instrumental in bringing the development division of Urban Pacific (formally Pioneer Homes) to commercial profitability. Angus has sat on numerous boards, government selection panels and review committees. These included the Infrastructure Levy Implementation Committee, the Premier's Urban Design Advisory Committee, the Rouse Hill Town Centre and Barangaroo assessment panels and the inter government task force for the acquisition of BHP's land holdings in Newcastle.

Special responsibilities: Member Director, Finance, Risk & Audit Committee Member

Name: John Storer
Qualifications: Bachelor Engineering (Civil) UNSW
Post Graduate Diploma (Economics) UNE
Experience and expertise: John Storer has worked as project manager on diverse construction projects including the Western Sydney Orbital (M7), Eastern Sydney Distributor, Illawarra Waste Water Strategy and South Coast Rail Electrification. Since 2006, John has worked as a consultant undertaking sociological research and economic analysis. His work includes general research; strategic planning for community organisations; and economic modeling and feasibility studies for affordable housing strategies and development projects for a range of private, community sector, state and local government clients.

Special responsibilities: Member Director, Property Committee Member

Name: Judy Valic
Qualifications: Bachelor of Commerce (Accounting; Certified Practicing Accountant (CPA)
Experience and expertise: Judy Valic has over 30 years' experience in a wide range of finance, accounting and management roles. Judy started her career in chartered accounting and has since worked in local government and a multi-disciplined not for profit organisation that provides a range of social services including foster care, family support services, aged care and disability services. Judy currently holds the position of Executive Manager Business Support at Catholic Care Wollongong and over the years has gained experience in project management, strategic planning and risk management. Judy is passionate about the not-for-profit sector and the positive impact it has on the lives of vulnerable people in our community.

Special responsibilities: Member Director, Finance, Risk & Audit Committee Member

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' report
30 June 2016

Name: Michael Szafraniec
Qualifications: Bachelor of Science (Population Health) and MBA (International Business)
Experience and expertise: Michael brings to the trust a wealth of experience from the community service Not for Profit sector both locally and internationally. With over 15 years working in local government and community services in Australia, Michael is currently employed as Operations Manager of a large local Illawarra charity. Michael also brings to the role International community development experience gained through working with the United Nations Department of Economic and Social Affairs in both New York and Geneva. Michael is a lead consultant for international social policy change and provides regular contributions to the World public sector report and the International Committee of Experts in Public Administration.

Special responsibilities: Member Director, Governance & HR Committee Member

Name: Gareth McKeen
Qualifications: Masters of Management
Experience and expertise: Gareth has an interest in not-for-profit community based organisations that offer a social benefit driven by a strong business model. He believes in social outcomes that are underpinned by opportunities for people to gain control over their opportunities and develop themselves in a sustainable manner. Gareth has experience in managing and developing not-for-profit organisations as CEO for the WEA Illawarra, a training and community college, and currently for the Cram Foundation providing support to people with a significant disability. Prior to this he spent 20 years in sports management which provided him with expertise in international excellence and performance management skills. Gareth has a Masters of Management degree and he has held various community and fundraising roles including currently as a Vinnie's Food Van volunteer, Chair of Illawarra Olympic fundraising committee and recently a 5 year role on the Legacy Business and Community committee.

Special responsibilities: Member Director, Chairperson Governance & HR Committee

Meetings of responsible entities

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each responsible entities were:

	Full Board		Finance, Risk & Audit Committee		Governance & Human Resources Committee		Property Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David Campbell	11	10	5	5	5	3	-	-
Jennifer Macquarie	11	10	-	-	-	-	5	5
Angus Dawson	11	9	2	1	3	2	-	-
John Storer	11	8	-	-	-	-	5	2
Judy Valic	11	6	5	5	-	-	-	-
Michael Szafraniec	11	6	3	-	3	2	-	-
Gareth McKeen	11	9	-	-	5	4	-	-

Held: represents the number of meetings held during the time the responsible entities held office or was a member of the relevant committee.

Details of Membership

The entity is incorporated under the Corporations Act 2001 and is a Company limited by guarantee. The constitution states that each member undertakes to contribute an amount not exceeding \$20 to the property of the company if the Company is wound up at a time when that person is a Member, or within one year of the time that person ceased to be a member. This contribution is to assist in meeting the obligations of the entity at that time. There were 24 members at 30 June 2016 (2015: 13 members). At 30 June 2016, the maximum amount that members of the company are liable to contribute if the company is wound up is \$480 (2015: \$260). – Members no longer pay.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' report
30 June 2016

Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the entity is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

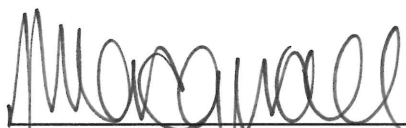
Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this responsible entities' report.

This report is made in accordance with a resolution of responsible entities.

On behalf of the responsible entities



David Campbell
Chairperson

Jennifer Macquarie
Director

20 October 2016

Unit 1, 1 Pioneer Avenue
PO Box 3399
Tuggerah NSW 2259

T: (02) 4353 2333
F: (02) 4351 2477

e: mail@bishopcollins.com.au



Suite 1, Level 11
49-51 York Street
Sydney NSW 2000

T: (02) 9262 4420
F: (02) 9262 4739

w: www.bishopcollins.com.au

**INDEPENDENT AUDITOR'S DECLARATION
TO THE MEMBERS OF THE ILLAWARRA COMMUNITY HOUSING TRUST LTD T/A
THE HOUSING TRUST**

We hereby declare that to the best of our knowledge and belief during the year ended 30 June 2016, 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.

Name of Firm

Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor

David McClelland

Auditor's Registration No.

431227

Address

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated

20 October 2016

Unit 1, 1 Pioneer Avenue
PO Box 3399
Tuggerah NSW 2259

T: (02) 4353 2333
F: (02) 4351 2477

e: mail@bishopcollins.com.au



Suite 1, Level 11
49-51 York Street
Sydney NSW 2000

T: (02) 9262 4420
F: (02) 9262 4739

w: www.bishopcollins.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ILLAWARRA COMMUNITY HOUSING TRUST LTD T/A THE HOUSING TRUST

Report on the Financial Report

We have audited the accompanying financial report of The Illawarra Community Housing Trust Limited t/a The Housing Trust which comprises the statement of financial position as at 30 June 2016, 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 comprising a summary of significant accounting policies and other explanatory information and the responsible entities' declaration.

Responsible Entities' Responsibility for the Financial Report

The responsible entities 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, the *Australian Charities and Not-for-profits Commission Act 2012*, and the *Australian Charities and Not-for-Profits Commission Regulation 2013*, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the responsible entities, as well as evaluating the overall presentation of the financial report.

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*.



LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION





Auditor's Opinion

In our opinion:

- (a) the financial report of The Illawarra Community Housing Trust Limited t/a The Housing Trust is 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 2016 and of its performance and cash flows for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations), and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Name of Firm

Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor

David McClelland

Auditor's Registration No.

431227

Address

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated

20 October 2016

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	5	77,926,708	13,406,030
Other income	6	16,204,504	-
Expenses			
Tenancy and property related property		(8,851,886)	(8,130,234)
Employee related expenses		(3,314,125)	(3,340,550)
Office and administration expenses		(965,108)	(948,480)
Depreciation and amortisation expenses		(42,674)	(26,137)
Finance costs		(189,585)	(91,515)
Surplus before income tax expense		80,767,834	869,114
Income tax expense		-	-
Surplus after income tax expense for the year	21	80,767,834	869,114
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>80,767,834</u>	<u>869,114</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Statement of financial position
As at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	7	4,336,830	17,441,908
Trade and other receivables	8	2,342,086	392,357
Other assets	9	852,628	3,451,112
Total current assets		<u>7,531,544</u>	<u>21,285,377</u>
Non-current assets			
Investment properties	10	140,645,797	49,481,124
Property, plant and equipment	11	312,964	222,353
Intangibles	12	313,978	22,400
Other assets	13	11,289	11,289
Total non-current assets		<u>141,284,028</u>	<u>49,737,166</u>
Total assets		<u>148,815,572</u>	<u>71,022,543</u>
Liabilities			
Current liabilities			
Trade and other payables	14	649,463	2,117,531
Borrowings	17	1,100,000	1,493
Employee benefits	15	149,342	172,397
Other liabilities	19	486,932	12,809,913
Total current liabilities		<u>2,385,737</u>	<u>15,101,334</u>
Non-current liabilities			
Borrowings	18	10,094,876	338,197
Employee benefits	16	8,944	1,889
Other liabilities	20	-	22,942
Total non-current liabilities		<u>10,103,820</u>	<u>363,028</u>
Total liabilities		<u>12,489,557</u>	<u>15,464,362</u>
Net assets		<u>136,326,015</u>	<u>55,558,181</u>
Equity			
Retained surpluses	21	<u>136,326,015</u>	<u>55,558,181</u>
Total equity		<u>136,326,015</u>	<u>55,558,181</u>

The above statement of financial position should be read in conjunction with the accompanying notes

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Statement of changes in equity
For the year ended 30 June 2016

	Retained surpluses \$	Total equity \$
Balance at 1 July 2014	54,689,067	54,689,067
Surplus after income tax expense for the year	869,114	869,114
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	869,114	869,114
Balance at 30 June 2015	<u>55,558,181</u>	<u>55,558,181</u>
	Retained surpluses \$	Total equity \$
Balance at 1 July 2015	55,558,181	55,558,181
Surplus after income tax expense for the year	80,767,834	80,767,834
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	80,767,834	80,767,834
Balance at 30 June 2016	<u>136,326,015</u>	<u>136,326,015</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Statement of cash flows
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,722,026	10,423,845
Receipts from government grants (inclusive of GST)		15,026,264	2,369,489
Payments to suppliers (inclusive of GST)		(27,226,049)	(10,583,400)
		522,241	2,209,934
Interest received		326,421	159,951
Interest and other finance costs paid		(189,585)	(91,516)
Net cash from operating activities		659,077	2,278,369
Cash flows from investing activities			
Payments for investments		-	(10,000)
Payments for investment property	10	(24,172,594)	-
Payments for property, plant and equipment	11	(184,970)	(191,846)
Payments for intangibles	12	(291,578)	-
Receipt of government grants for development project		-	10,985,835
Proceeds from disposal of property, plant and equipment		29,800	-
Net cash from/(used in) investing activities		(24,619,342)	10,783,989
Cash flows from financing activities			
Proceeds from borrowings		10,912,000	-
Repayment of borrowings		(56,813)	(1,302,265)
Net cash from/(used in) financing activities		10,855,187	(1,302,265)
Net increase/(decrease) in cash and cash equivalents		(13,105,078)	11,760,093
Cash and cash equivalents at the beginning of the financial year		17,441,908	5,681,815
Cash and cash equivalents at the end of the financial year	7	<u>4,336,830</u>	<u>17,441,908</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 1. General information

The financial statements cover The Illawarra Community Housing Trust Limited as an individual entity. The financial statements are presented in Australian dollars, which is The Illawarra Community Housing Trust Limited's functional and presentation currency.

The Illawarra Community Housing Trust Limited is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of responsible entities, on 20 October 2016. The responsible entities have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), and the Australian Charities and Not-for-Profits Commission Act 2012, as appropriate for not-for profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Note 2. Significant accounting policies (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Grants and Contributions

Government grants are recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant and it is probable the economic benefits gained from the grant will flow to the Company and the amount of the grant can be measured reliably.

If the conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The Company receives non-reciprocal contributions of assets from the government and other parties for zero or nominal value. On the date of acquisition, the assets are recorded in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

The Company received two main types of government grants and funding during the year ended 30 June 2016:

- (1) Community Housing Leasehold Program - annual funding received from Community and Private Market Housing Division of the Department of Family and Community Services (Housing NSW).
- (2) NRAS 4 Affordable Housing Project - Funding received from the Department of Family and Community Services (Housing NSW) to develop Affordable Housing in New South Wales under the National Rental Affordability Scheme (NRAS).

Income tax

As the company is a charitable institution in terms of subsection 50-10 of the Income Tax Assessment Act 1997, as amended, and is endorsed as a tax exempt entity under Section 50-145, it is exempt from paying income tax.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5-10 years
Plant and equipment	3-10 years
Motor vehicles	8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Revenue recognition

The directors have given consideration to the requirements of Australian Accounting Standards in recognising revenue relating to the Shellharbour Development project. In making their judgement, the directors gave consideration to the ongoing obligations of the Company with respect to the development and whether these obligations are embodied in the construction cost of the asset (which was jointly funded by the Company and the NSW Government). Following a detailed review of the ongoing contractual obligations embodied in the agreements (with due consideration to those included in the funding instruments) the directors are of the opinion that the ongoing obligations were not embodied in the construction cost of the asset. Consequently the cost to satisfy future obligations represents future expenses to be expensed to profit or loss in the relevant financial period as and when these are incurred.

Note 4. Restatement of comparatives

Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

Note 5. Revenue

	2016	2015
	\$	\$
<i>Sales revenue</i>		
Rental income	10,855,986	10,472,344
Government grants and funding income	2,474,950	2,314,489
Government grants - NRAS	417,314	-
Grants revenue (Shellharbour project)	12,134,000	-
Contributions received (a)	50,974,200	-
Other tenant and property related income	743,837	378,238
	<u>77,600,287</u>	<u>13,165,071</u>
<i>Other revenue</i>		
Interest income	326,421	240,959
Revenue	<u>77,926,708</u>	<u>13,406,030</u>

(a) The Company received title to 160 properties from NSW Land and Housing Corporation. These properties are measured at fair value in accordance with Australian Accounting Standards. Refer to Note 10.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 6. Other income

	2016	2015
	\$	\$
Fair value gain on investment properties	16,041,879	-
Recovery of misappropriated funds	162,625	-
Other income	<u>16,204,504</u>	<u>-</u>

Note 7. Current assets - cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand and at bank	511,759	857,158
Cash on short-term deposit	3,825,071	16,584,750
	<u>4,336,830</u>	<u>17,441,908</u>

Note 8. Current assets - trade and other receivables

	2016	2015
	\$	\$
Trade and other receivables	214,188	626,191
Less: Provision for impairment of receivables	(80,000)	(233,834)
BAS receivable	2,207,898	-
	<u>2,342,086</u>	<u>392,357</u>

Note 9. Current assets - other assets

	2016	2015
	\$	\$
Accrued revenue	126,104	221,584
Prepayments	409,749	388,714
Headlease bonds	316,775	331,305
Development deposits (a)	-	2,509,509
	<u>852,628</u>	<u>3,451,112</u>

(a) The company exchanged contracts to purchase properties for turnkey development at Wattle Road Shellharbour on 2 July 2013 for a fixed price totalling \$24,285,000 inclusive of GST.

To facilitate exchange of contracts the company made a deposit of 10% of the purchase price totalling \$2,428,500 on 26 June 2013.

The development was completed in April 2016. The contribution from the NSW Government recognised as deferred revenue as at 30 June 2015 has been recognised as revenue as at 30 June 2016.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 10. Non-current assets - investment properties

	2016	2015
	\$	\$
Investment properties - at independent valuation	140,623,447	49,481,124
Investment property (work in progress) - at cost	22,350	-
	<u>140,645,797</u>	<u>49,481,124</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	49,481,124	49,481,124
Additions	75,146,794	-
Disposals	(24,000)	-
Revaluation increments	16,041,879	-
Closing fair value	<u>140,645,797</u>	<u>49,481,124</u>

The properties are held by the Company to provide social housing at below market rental rates to members of the community on medium to low income earners. The properties have been classified as investment properties in accordance with the requirements of Australian Accounting Standards.

Measurement of Fair Value

The title to properties (196 on 30 June 2011, and 160 on 30 June 2016) were transferred (vested) to the company. NSW Land and Housing Corporation (the Corporation) has an interest recorded against the title to each vested property. The Corporation will have an interest in all land purchased in whole or in part using proceeds of vested property or proceeds of land to which an interest attaches.

The fair value model is applied to all investment properties. The fair value of investment properties at 30 June 2016 has been arrived at on the basis of valuations completed by JacksonCo Asset & Property Valuers at 22 July 2016. All relevant properties were updated to their fair value as provided in the 2016.

This is in accordance with the Company's adoption of the Australian Accounting Standards.

Note 11. Non-current assets - property, plant and equipment

	2016	2015
	\$	\$
Leasehold improvements - at cost	86,371	92,685
Less: Accumulated depreciation	(13,808)	(4,541)
	<u>72,563</u>	<u>88,144</u>
Plant and equipment - at cost	77,945	28,459
Less: Accumulated depreciation	(29,324)	(28,459)
	<u>48,621</u>	<u>-</u>
Motor vehicles - at cost	264,195	178,692
Less: Accumulated depreciation	(72,415)	(44,483)
	<u>191,780</u>	<u>134,209</u>
	<u>312,964</u>	<u>222,353</u>

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 11. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold Improvements \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2015	88,144	-	134,209	222,353
Additions	13,687	49,485	121,798	184,970
Disposals	(20,000)	-	(31,685)	(51,685)
Depreciation expense	(9,268)	(864)	(32,542)	(42,674)
Balance at 30 June 2016	<u>72,563</u>	<u>48,621</u>	<u>191,780</u>	<u>312,964</u>

Note 12. Non-current assets - intangibles

	2016 \$	2015 \$
Computer software - at cost	<u>313,978</u>	<u>22,400</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Computer software \$	Total \$
Balance at 1 July 2015	22,400	22,400
Additions	<u>291,578</u>	<u>291,578</u>
Balance at 30 June 2016	<u>313,978</u>	<u>313,978</u>

Note 13. Non-current assets - other assets

	2016 \$	2015 \$
Security deposits	1,289	1,289
Other non-current assets	<u>10,000</u>	<u>10,000</u>
	<u>11,289</u>	<u>11,289</u>

Note 14. Current liabilities - trade and other payables

	2016 \$	2015 \$
Trade and other payables	213,829	402,623
Accrued expense	416,824	462,369
Tenant bonds held	18,810	8,171
BAS payable	<u>-</u>	<u>1,244,368</u>
	<u>649,463</u>	<u>2,117,531</u>

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 15. Current liabilities - employee benefits

	2016	2015
	\$	\$
Annual leave	149,259	157,627
Long service leave	83	280
Time in lieu	-	14,490
	<u>149,342</u>	<u>172,397</u>

Note 16. Non-current liabilities - employee benefits

	2016	2015
	\$	\$
Long service leave	<u>8,944</u>	<u>1,889</u>

Note 17. Current liabilities - borrowings

	2016	2015
	\$	\$
National Australia Bank loans - Balgownie	-	1,493
National Australia Bank loans - Corrimal	<u>1,100,000</u>	<u>-</u>
	<u>1,100,000</u>	<u>1,493</u>

Note 18. Non-current liabilities - borrowings

	2016	2015
	\$	\$
National Australia Bank loans - Balgownie	282,876	338,197
Bank of Australia loans - Shellharbour	<u>9,812,000</u>	<u>-</u>
	<u>10,094,876</u>	<u>338,197</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2016	2015
	\$	\$
National Australia Bank loans - Balgownie	282,876	339,690
Bank of Australia loans - Shellharbour	9,812,000	-
National Australia Bank loans - Corrimal	<u>1,100,000</u>	<u>-</u>
	<u>11,194,876</u>	<u>339,690</u>

National Australia Bank (NAB) loan is secured by way of mortgage over 3 William Street, Balgownie. NAB has a standard General Security Agreement (GSA) (previously known as Fixed and Floating Charge) over the whole of the company's assets.

National Australia Bank (NAB) loan is an interest only loan (4.7580% p.a.) secured by way of mortgage over 70 Pioneer Road, Corrimal.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 18. Non-current liabilities - borrowings (continued)

Mecu Limited trading as Bank Australia loan is an interest only loan (5.49% p.a.) secured by way of mortgage over Lot 2, 58-60 Wattle Street, Shellharbour.

Note 19. Current liabilities - other liabilities

	2016 \$	2015 \$
Deferred revenue	-	12,210,298
Rent received in advance	469,835	503,633
Grants received in advance	17,097	88,707
Tenancy Guarantee	-	7,275
	<u>486,932</u>	<u>12,809,913</u>

Note 20. Non-current liabilities - other liabilities

	2016 \$	2015 \$
Agreement repairs	-	22,942
	<u>-</u>	<u>22,942</u>

Note 21. Equity - retained surpluses

	2016 \$	2015 \$
Retained surpluses at the beginning of the financial year	55,558,181	54,689,067
Surplus after income tax expense for the year	80,767,834	869,114
Retained surpluses at the end of the financial year	<u>136,326,015</u>	<u>55,558,181</u>

Note 22. Key management personnel disclosures

Compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) is considered Key Management Personnel.

The aggregate compensation made to responsible entities and other members of key management personnel of the company is set out below:

	2016 \$	2015 \$
Aggregate compensation	<u>484,836</u>	<u>444,590</u>

Note 23. Contingent liabilities

A Bank Guarantee of \$19,230 (2015: \$19,230) has been provided to cover the rental bond for the company's office at 120 Smith Street, Wollongong, NSW 2500.

No other material contingent liabilities have been identified.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 24. Commitments

	2016 \$	2015 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	216,445	256,570
One to five years	306,630	651,271
	523,075	907,841

Leases as lessee:

Leases between the Company and Housing NSW are operating leases and are typically for a period of five years. Housing NSW charge rent of \$1 per property per year for these properties.

Leases between the Company and independent landlords are operating leases, the majority will expire within 23 months of the reporting date with the balance of any expiring after 12 months considered to be insignificant. Forecast leasehold rent expenditure for the year ended 30 June 2017 is \$4.73M.

Leases as lessor

Leases between the Company and tenants are operating leases and are typically for a period of six months then continuation.

It is not possible to determine the lease income contracted for at balance date as the income varies with the income levels and financial capacity of the respective tenants, however, the majority will expire within 12 months for the reporting date with the balance of any expiring after 12 months considered to be insignificant.

Note 25. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Transactions with related parties

The following transactions occurred with related parties:

	2016 \$	2015 \$
Sale of goods and services:		
One Director leases two rental properties to the Company and received the following rental income for the year (these arrangements ceased in 2016)	27,552	39,062

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Economic dependency

The financial statements have been prepared on a going concern basis. In the event the government contracts and funding were to cease, the company would have to significantly restructure its operations to meet its commitments. At the date of this report, the responsible entities have no reason to believe the contracts and funding will cease to continue.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2016

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 28. Members' guarantee

The Illawarra Community Housing Trust Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding and obligations of the entity. At 30 June 2016, there were 24 members (2015: 13 members).

The maximum amount that members of the company are liable to contribute if the company is wound up is \$480 (2015: \$260).

Note 29. Registered principal place of business

The address of the Company's registered office and principal place of business is 120 Smith Street, Wollongong NSW 2500.


The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' declaration
30 June 2016

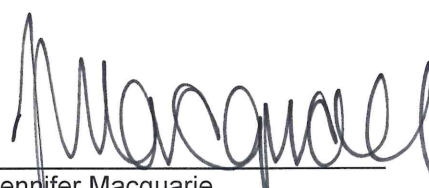
In the responsible entities' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements, the *Australian Charities and Not-for-Profits Commission Act 2012*, the *Australian Charities and Not-for-Profits Commission Regulation 2013* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- 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 responsible entities.

On behalf of the responsible entities



David Campbell
Chairperson

Jennifer Macquarie
Director

20 October 2016