

The Illawarra Community Housing Trust Limited

Trading as The Housing Trust

ABN 18 739 426 566

Annual Report - 30 June 2019

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
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The Illawarra Community Housing Trust Limited
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Responsible entities' report
30 June 2019

The responsible entities present their report, together with the financial statements, on the company for the year ended 30 June 2019.

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:

Scott Bridgement
David Campbell (resigned 18 March 2019)
Angus Dawson (resigned 2 March 2019)
Edward Hanson (appointed 24 June 2019)
Sara Haslinger (appointed 14 March 2019)
Jennifer Macquarie (resigned 26 November 2018)
Nada Nasser (appointed 7 July 2018)
Roy Rogers
John Storer
Michael Szafraniec
Judy Valic

Company secretary

The position of company secretary at the end of the financial year was held by Mark Langan. Mark was appointed to the role on 13 November 2017. Mark is a permanent fulltime employee of Company Matters and he has over 30 years of experience as a company secretary.

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 \$15,028,077 (2018: \$2,253,529). No income tax expense was provided for as the entity is endorsed as a tax exempt charitable entity.

Strategy and objectives

The strategic plan for 2018 to 2021 focuses on four key strategies and reflects the vision "a decent home for everyone". The strategies are:

1. Continuing to provide long-term and transitional housing solutions;
2. Partnering with a wide range of service providers to support our customers;
3. Buying and building more homes without waiting for Government assistance; and
4. Using our charity status in fundraising activities and other ways to help our customers.

Review of operations

A review of the operations of the Company indicated an increase of 4.4% in rental and property related income and an increase of 0.1% in government grants received. Tenancy and property management expenses increased by 5.0% and employment expenses increased by 1.9%. 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.

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After Balance Date Events

On 11 September 2019, The Illawarra Community Housing Trust Limited exercised its right to terminate the contract with a development company relating to a proposed development in Dapto. On 25 October, Housing Trust received notification from the development company it intended to dispute the termination of the contract. At the date of authorisation of the financial report, Housing Trust has not received formal statement of the particulars of the dispute from the development company. Accordingly, an estimate of the financial effect, if any, cannot be made.

Other than as noted above, there has been no matter or circumstance has arisen since 30 June 2019 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.

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.

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".

Environmental Issues

The Directors believe the company has complied with all significant environmental regulations under a law of the Commonwealth or of a state or territory.

Information on responsible entities

Name:	Scott Bridgement
Title:	Director
Qualifications:	Bachelor of Commerce, MAICD
Experience and expertise:	Scott Bridgement is an internationally experienced Finance and Strategic executive in the private and public sectors. He is currently the Director of Finance, Assets and Business Services at the NSW State Emergency Service and Chief Financial Officer of the organisation. Previously he was Director of Strategy Planning and Innovation at NSW State Emergency Service and Chief Financial Officer of Thrifty Car Rental, owned by NRMA Motoring & Services. Earlier Scott held Executive finance and commercial roles with BlueScope Steel Ltd and BHP Billiton Ltd in Australia and the United States. He was the Australian expat Joint Venture Executive and Controller at the \$3BN North Star JV manufacturing operation in Ohio, USA. Scott is Board Director of Destination NSW, Sydney Surrounds Destination Network and Bendigo Bank Fairy Meadow Branch. Scott holds a Bachelor of Commerce. He is a member of the Australian Institute of Company Directors, Fellow of CPA Australia, Fellow of Institute of Managers and Leaders and Fellow of Governance Institute of Australia. Scott cares about building strong communities and improving the lives of those in need.
Special responsibilities:	Member Director, Governance & HR Committee Member

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Name: David Campbell (resigned 18 March 2019)
Title: Director
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 and recent senior employee 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, Sport and Commerce sectors to his current board role.
Special responsibilities: Member Director, Chairperson, Chairperson Property Committee, Member Finance, Risk & Audit Committee

Name: Angus Dawson (resigned 2 March 2019)
Title: Director
Qualifications: Bachelor of Applied Science (Building) UTS, MAICD
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 include 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, Chairperson Finance, Risk & Audit Committee and Member Property Committee

Name: Edward Hanson (appointed 24 June 2019)
Title: Director
Qualifications: Property Agency Advance Certificate, Coal Mining Certificate
Experience and expertise: Ted Hanson has extensive experience in commercial asset management in the Wollongong and Shire region. He is an experience Chairman and Licensed Real Estate Agent with a demonstrated history of working in the real estate industry. Ted is skilled in negotiation, business planning and coaching and has strong networking skills and broad real estate knowledge. Ted has a profound desire to support educated real estate decision making particularly in the context of social and affordable housing.
Special responsibilities: Member Director

Name: Sara Haslinger (appointed 14 March 2019)
Title: Director
Qualifications: Bachelor of Laws, Masters in Public Administration (MPA)
Experience and expertise: Sara Haslinger has led and managed teams and organisations and more than 20 projects in Australia and the United Kingdom with a focus on the need to integrate and prioritise social, legal, commercial, public and individual stakeholder perspectives. She has extensive experience in major capital works management, assurance, governance and delivering covering both public and private sectors. Sara is an expert in strategic asset planning with a focus to improve asset governance, planning, delivery and management. Sara has held senior executive leadership roles in legal, commercial and government sectors and is passionate about housing, human services and the construction industry.
Special responsibilities: Member Director, Property Committee member

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Name: Jennifer Macquarie (resigned 26 November 2019)
Title: Director
Qualifications: Bachelor of Commerce (Marketing), Master's in Business Administration, Current holder of a Real Estate License
Experience and expertise: Jennifer Macquarie is a property specialist, having worked in the development industry for over 25 years. 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. Whilst her career began with her family company, in 2010 Jennifer established the Fountaindale Group to pursue her own property development activities as well as continuing to offer project management and project marketing services to the wider market. Jennifer has had an increasing interest in the community and social outcomes of property development, and her business is focused on developing smaller more affordable housing products for those who may otherwise be unable to remain in the private market. Jennifer serves on the executive of the committee of the Property Council Illawarra Chapter and chairs their affordable housing sub-committee and is a member of the Urban Development Institute.
Special responsibilities: Member Director, Deputy Chairperson, Chairperson Governance and HR Committee

Name: Nada Nasser (appointed 7 July 2018)
Title: Director
Qualifications: Bachelor Social Science, Masters in Business Administration (MBA), GAICD
Experience and expertise: Nada Nasser has significant senior management experience in housing and homelessness and in human services more generally. She has worked in the Government and Not for Profit sectors for many years with a focus on service delivery, strategy and reform. Nada is passionate about social justice and about reducing homelessness and building on community strength. She has a deep commitment to improving outcomes for vulnerable families and communities. Nada is currently State Director, NSW/ACT/Victoria at Mission Australia including overseeing a range of community services in the Illawarra.
Special responsibilities: Director and Member of the Governance and HR Committee member

Name: Roy Rogers
Title: Director
Qualifications: BScEng (merit Civil Engineering), Master of Management (MBO) MIEAust, CP (Engineering), MAICD
Experience and expertise: Roy Rogers has significant experience in Construction, Marketing, Executive Management and Leadership. His experience has come from working with a variety of companies including BHP, EMAIL Group and The Flagstaff Group holding various positions from Construction Manager to General Manager and CEO. Roy's strengths are in developing strategies that lead business performance and growth, manage organisational change and developing organisational culture that improves personal growth and business performance. Roy takes an active role in the business and community being a member of the Business Chamber Regional Advisory Committee, mentor for the Leadership Illawarra development program for emerging leaders and a foundation supporter for the CEO Sleepout in the Illawarra. In 2016 Roy was the recipient of the Illawarra Business Chambers' Leader of the Year Award.
Special responsibilities: Member Director, Member Finance, Risk & Audit Committee

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Name: John Storer
Title: Director
Qualifications: Bachelor Engineering (Civil) UNSW, Post Graduate Diploma (Economics) UNE
Experience and expertise: John Storer has graduate qualifications in Civil engineering and University of NSW and post-graduate qualifications in Economics from University of New England. He has worked as a project manager for private sector construction companies on diverse construction projects including the Western Sydney Orbital (M7), Eastern Sydney Distributor, Illawarra Wastewater 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 modelling 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: Michael Szafraniec
Title: Director
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. Michael shares his knowledge to help the Housing Trust continue the important role it plays in our communities.

Special responsibilities: Member Director, Governance & HR Committee Member

Name: Judy Valic
Title: Director
Qualifications: Bachelor of Commerce University of Wollongong, 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

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Responsible entities' report
30 June 2019

Meetings of responsible entities

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each responsible entities were:

	Full Board		Finance, Risk & Audit Committee		Governance and HR Committee		Property Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Scott Bridgement	10	7	-	-	4	3	-	-
David Campbell	7	7	3	3	-	-	3	3
Angus Dawson	7	5	3	3	-	-	3	2
Edward Hanson	1	1	-	-	-	-	-	-
Sarah Haslinger	3	2	-	-	-	-	2	2
Jennifer Macquarie	5	4	-	-	1	1	1	1
Nada Nasser	10	10	-	-	4	4	-	-
Roy Rogers	10	8	2	2	-	-	4	4
John Storer	10	9	-	-	3	3	2	2
Michael Szafraniec	10	8	-	-	4	4	1	1
Judy Valic	10	10	3	2	-	-	-	-

Held: represents the number of meetings held during the time the responsible entities held office.

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 14 members at 30 June 2019 (2018: 13 members). At 30 June 2019, the maximum amount that members of the company are liable to contribute if the company is wound up is \$280 (2018: \$260). – Members no longer pay.

Indemnifying Officers or Auditor

During the year, the company effected directors & officers' liability policy. The insurance policy provides cover for the directors named in this report, the company secretary, officers and former directors & officers of the company. This policy prohibits the disclosure of the nature of the indemnification and the insurance cover, and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or who has been an officer or auditor of the entity.

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.

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Responsible entities' report
30 June 2019

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

On behalf of the responsible entities



Michael Szafraniec
Director

28 October 2019



Judy Valic
Director



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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 2019, there have been:

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

Name of Firm

Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor


Martin Le Marchant

Auditor's Registration No.

431227

Address

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated

28 October 2019



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

Opinion

We have audited the accompanying financial report of The Illawarra Community Housing Trust Limited t/a The Housing Trust ('the Company') which comprises the statement of financial position as at 30 June 2019, 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.

In our opinion, 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 2019 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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



CHARTERED ACCOUNTANTS
AUSTRALIAN - NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION



Registered Company Auditors:

Glenn A Harris CA

Martin Le Marchant CA



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 – Reduced Disclosure Requirements to the extent described in Note 2 to the financial report, the *Australian Charities and Not-for-profits Commission Act 2012* 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.

In preparing the financial report, the responsible entities are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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



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

We also provide the responsible entities with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Name of Firm

Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor

Martin Le Marchant

Auditor's Registration No.

431227

Address

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated

28 October 2019

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 2019

	Note	2019	2018
		\$	\$
Revenue			
Operating revenue	4	17,290,618	16,701,149
Other income	5	14,344,903	1,057,786
Total revenue		<u>31,635,521</u>	<u>17,758,935</u>
Expenses			
Tenancy and property related expenses		(10,302,817)	(9,812,617)
Employee related expenses		(3,723,454)	(3,655,419)
Office and administration expenses		(1,902,631)	(1,421,482)
Depreciation and amortisation expenses		(185,095)	(181,034)
Finance costs		(493,447)	(434,854)
Total expenses		<u>(16,607,444)</u>	<u>(15,505,406)</u>
Surplus before income tax expense		15,028,077	2,253,529
Income tax expense		-	-
Surplus after income tax expense for the year	20	15,028,077	2,253,529
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>15,028,077</u>	<u>2,253,529</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 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	6	5,437,547	6,976,243
Trade and other receivables	7	1,499,713	591,452
Financial assets	8	131,463	76,095
Other assets	9	810,509	861,455
Total current assets		<u>7,879,232</u>	<u>8,505,245</u>
Non-current assets			
Investment properties	10	162,823,565	147,922,264
Property, plant and equipment	11	507,155	219,487
Intangible assets	12	84,659	212,191
Other assets	13	13,333	1,289
Total non-current assets		<u>163,428,712</u>	<u>148,355,231</u>
Total assets		<u>171,307,944</u>	<u>156,860,476</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,243,979	1,436,592
Borrowings	17	381,808	318,738
Employee benefits	15	226,711	163,857
Other liabilities	19	608,677	744,522
Total current liabilities		<u>2,461,175</u>	<u>2,663,709</u>
Non-current liabilities			
Borrowings	18	12,058,049	12,454,952
Employee benefits	16	38,333	19,505
Total non-current liabilities		<u>12,096,382</u>	<u>12,474,457</u>
Total liabilities		<u>14,557,557</u>	<u>15,138,166</u>
Net assets		<u>156,750,387</u>	<u>141,722,310</u>
Equity			
Retained surpluses	20	<u>156,750,387</u>	<u>141,722,310</u>
Total equity		<u>156,750,387</u>	<u>141,722,310</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 2019

	Retained surpluses \$	Total equity \$
Balance at 1 July 2017	139,468,781	139,468,781
Surplus after income tax expense for the year	2,253,529	2,253,529
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>2,253,529</u>	<u>2,253,529</u>
Balance at 30 June 2018	<u>141,722,310</u>	<u>141,722,310</u>
	Retained surpluses \$	Total equity \$
Balance at 1 July 2018	141,722,310	141,722,310
Surplus after income tax expense for the year	15,028,077	15,028,077
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>15,028,077</u>	<u>15,028,077</u>
Balance at 30 June 2019	<u>156,750,387</u>	<u>156,750,387</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 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,269,435	14,196,082
Receipts from government grants (inclusive of GST)		3,456,402	3,452,422
Payments to suppliers (inclusive of GST)		<u>(16,576,114)</u>	<u>(15,193,822)</u>
		1,149,723	2,454,682
Interest received		119,807	109,197
Interest and other finance costs paid		<u>(493,447)</u>	<u>(434,854)</u>
Net cash from operating activities		<u>776,083</u>	<u>2,129,025</u>
Cash flows from investing activities			
Payments for investments		(55,368)	(1,403)
Payments for investment property	10	(1,503,348)	(3,870,168)
Payments for property, plant and equipment	11	(422,230)	(18,871)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>6,182</u>
Net cash used in investing activities		<u>(1,980,946)</u>	<u>(3,884,260)</u>
Cash flows from financing activities			
Proceeds from borrowings		493,447	2,549,572
Repayment of borrowings		<u>(827,280)</u>	<u>(725,047)</u>
Net cash from/(used in) financing activities		<u>(333,833)</u>	<u>1,824,525</u>
Net increase/(decrease) in cash and cash equivalents		(1,538,696)	69,290
Cash and cash equivalents at the beginning of the financial year		<u>6,976,243</u>	<u>6,906,953</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>5,437,547</u></u>	<u><u>6,976,243</u></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 2019

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 28 October 2019. 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 or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 9 Financial Instruments

The company has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets.

The adoption of the Accounting Standard and Interpretation did not have any significant impact on the financial performance or position of the company.

New Standards and Interpretations not yet adopted

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the company in this Financial Report. The company has reviewed the impact of these changes and has determined that the adoption of these standards will not have a material effect on the financial position or performance of the company, other than as set out below.

AASB 16: Leases

AASB 16 Leases will replace AASB 117 Leases and other interpretations. The new lease standard will become effective from the annual reporting period commencing 1 January 2019.

The Company has not early adopted the standard as permitted by AASB 16, and intends to apply the exemptions available under AASB 16 for short term leases and low value underlying assets. In addition, the company intends to apply AASB 16 using the modified retrospective approach, along with practical expedients permitted by the standard. The modified retrospective approach does not require the restatement of comparative financial information.

Upon initial application of AASB 16 on 1 July 2019, the Company estimates that the modified retrospective approach will not result in a material impact to the financial report including no impact on retained earnings.

AASB 15 Revenue from Contracts with Customers

This standard moves the revenue recognition focus from transaction level to a contractual rights and obligations basis. The Company has not yet considered the impact of this standard, however, the entity does not expect the impact to be material.

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Note 2. Significant accounting policies (continued)

AASB 1058 Income for Not for Profits

This standard primarily applies to income not accounted for under AASB 15. This standard establishes principles applying to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and the receipt of volunteer services. The changes in revenue recognition requirements in AASB 1058 may cause changes to the timing and amount of income recorded in the financial statements as well as additional disclosures. This includes contributions of assets at less than fair value and volunteer services.

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 financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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.

Comparative figures

Where required or permitted by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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.

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.

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Note 2. Significant accounting policies (continued)

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.

Donations

Donations and bequests are recognised as revenue when received.

Other revenue

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

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.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 2. Significant accounting policies (continued)

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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.

The Company engaged external, independent and qualified valuers to determine the fair value of the investment properties. This is conducted on a periodic, but at least triennial basis with one third of the portfolio, valued at least every three years. As at 30 June 2019, the fair values of the investment properties have been determined by JacksonCo Asset & Property Valuers and Herron Todd White (South East NSW) Pty Ltd.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is the current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows;
- capitalised income projections based upon a properties estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Note 2. Significant accounting policies (continued)

The fair value of investment properties has been derived using the sales comparison approach.

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.

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.

Note 2. Significant accounting policies (continued)

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 at 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.

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

Note 2. Significant accounting policies (continued)

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.

Allowance for expected credit losses

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.

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.

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Note 4. Revenue

	2019	2018
	\$	\$
Rental income	13,667,635	12,997,552
Government grants and funding income	2,859,231	2,860,564
Government grants - NRAS	597,171	591,861
Other tenant and property related income	166,581	251,172
Revenue	<u>17,290,618</u>	<u>16,701,149</u>

Note 5. Other income

	2019	2018
	\$	\$
Net fair value gain on financial assets	462	-
Fair value gain on investment properties	13,397,953	533,527
Insurance recoveries	81,438	415,062
Relocation income	745,243	-
Interest income	119,807	109,197
Other income	<u>14,344,903</u>	<u>1,057,786</u>

Note 6. Current assets - cash and cash equivalents

	2019	2018
	\$	\$
Cash on hand and at bank	1,737,181	3,367,486
Cash on short-term deposit	3,700,366	3,608,757
	<u>5,437,547</u>	<u>6,976,243</u>

Note 7. Current assets - trade and other receivables

	2019	2018
	\$	\$
Trade and other receivables	489,878	480,872
Less: Allowance for expected credit losses	(191,651)	(122,249)
NRAS receivable	696,082	138,508
Other debtors	379,957	30,252
Interest receivable	10,926	11,219
BAS receivable	114,521	52,850
	<u>1,499,713</u>	<u>591,452</u>

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Note 7. Current assets - trade and other receivables (continued)

Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2019 \$	2018 \$
Opening balance	122,249	90,000
Additional provisions recognised	128,317	123,834
Receivables written off during the year as uncollectable	(58,915)	(91,585)
Closing balance	<u>191,651</u>	<u>122,249</u>

Note 8. Current assets - financial assets

	2019 \$	2018 \$
Financial assets	<u>131,463</u>	<u>76,095</u>

Note 9. Current assets - other assets

	2019 \$	2018 \$
Prepayments	464,594	506,230
Headlease bonds	<u>345,915</u>	<u>355,225</u>
	<u>810,509</u>	<u>861,455</u>

Note 10. Non-current assets - investment properties

	2019 \$	2018 \$
Investment properties - at independent valuation	<u>161,174,904</u>	<u>147,776,951</u>
Investment property (work in progress) - at cost	<u>1,648,661</u>	<u>145,313</u>
	<u>162,823,565</u>	<u>147,922,264</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	147,922,264	143,518,569
Additions	1,503,348	3,870,168
Revaluation increments	<u>13,397,953</u>	<u>533,527</u>
Closing fair value	<u>162,823,565</u>	<u>147,922,264</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.

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Note 10. Non-current assets - investment properties (continued)

Measurement of Fair Value

The fair value model is applied to all investment properties. The fair value of investment properties at 30 June 2019 has been arrived at on the basis of valuations completed by JacksonCo Asset & Property Valuers and Herron Todd White (South East NSW) Pty Ltd.

In June 2018, 58-60 Wattle Rd, Shellharbour NSW was independently valued by Herron Todd White (South East NSW) Pty Ltd.

The Directors considered the carrying value of the property at 109-111 Farrell Road, Bulli, NSW as representative of fair value. This is confirmed by the valuation undertaken by MMJ Wollongong on 25 September 2018.

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

	2019 \$	2018 \$
Leasehold improvements - at cost	355,925	105,243
Less: Accumulated depreciation	(1,977)	(31,856)
	<u>353,948</u>	<u>73,387</u>
Plant and equipment - at cost	201,106	155,977
Less: Accumulated depreciation	(102,974)	(79,485)
	<u>98,132</u>	<u>76,492</u>
Motor vehicles - at cost	119,268	119,268
Less: Accumulated depreciation	(64,193)	(49,660)
	<u>55,075</u>	<u>69,608</u>
	<u><u>507,155</u></u>	<u><u>219,487</u></u>

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 2018	73,387	76,492	69,608	219,487
Additions	355,925	66,305	-	422,230
Disposals	(62,863)	(14,137)	-	(77,000)
Depreciation expense	(12,501)	(30,528)	(14,533)	(57,562)
Balance at 30 June 2019	<u><u>353,948</u></u>	<u><u>98,132</u></u>	<u><u>55,075</u></u>	<u><u>507,155</u></u>

Note 12. Non-current assets - intangible assets

	2019 \$	2018 \$
Computer software - at cost	425,105	425,105
Less: Accumulated amortisation	(340,446)	(212,914)
	<u><u>84,659</u></u>	<u><u>212,191</u></u>

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Note 12. Non-current assets - intangible assets (continued)

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 2018	212,191	212,191
Amortisation expense	(127,532)	(127,532)
Balance at 30 June 2019	<u>84,659</u>	<u>84,659</u>

Note 13. Non-current assets - other assets

	2019 \$	2018 \$
Security deposits	<u>13,333</u>	<u>1,289</u>

Note 14. Current liabilities - trade and other payables

	2019 \$	2018 \$
Trade and other payables	817,194	1,080,381
Accrued expense	370,338	272,664
Tenant bonds held	56,447	83,547
	<u>1,243,979</u>	<u>1,436,592</u>

Note 15. Current liabilities - employee benefits

	2019 \$	2018 \$
Annual leave	201,418	144,259
Long service leave	25,293	19,598
	<u>226,711</u>	<u>163,857</u>

Note 16. Non-current liabilities - employee benefits

	2019 \$	2018 \$
Long service leave	<u>38,333</u>	<u>19,505</u>

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Note 17. Current liabilities - borrowings

	2019 \$	2018 \$
Bank loan	367,980	304,020
Credit cards	13,828	14,718
	<u>381,808</u>	<u>318,738</u>

Note 18. Non-current liabilities - borrowings

	2019 \$	2018 \$
Bank loan	<u>12,058,049</u>	<u>12,454,952</u>

Total secured liabilities

Bank loan is a principal and interest term loan secured by way of mortgage over 58-60 Wattle Street, Shellharbour, NSW and 34 Market Street, Wollongong NSW.

Note 19. Current liabilities - other liabilities

	2019 \$	2018 \$
Rent received in advance	607,226	608,977
Grants received in advance	1,451	135,545
	<u>608,677</u>	<u>744,522</u>

Note 20. Equity - retained surpluses

	2019 \$	2018 \$
Retained surpluses at the beginning of the financial year	141,722,310	139,468,781
Surplus after income tax expense for the year	<u>15,028,077</u>	<u>2,253,529</u>
Retained surpluses at the end of the financial year	<u>156,750,387</u>	<u>141,722,310</u>

Note 21. Fair value measurement

The following table shows the financial assets measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018:

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Note 21. Fair value measurement (continued)

	Amount \$	Total \$
2019		
<i>Assets</i>		
Trade and other receivables	1,499,713	1,499,713
Financial assets	131,463	131,463
Investment properties	162,823,565	162,823,565
Total assets	<u>164,454,741</u>	<u>164,454,741</u>
<i>Liabilities</i>		
Trade and other payables	1,243,979	1,243,979
Total liabilities	<u>1,243,979</u>	<u>1,243,979</u>
2018		
<i>Assets</i>		
Trade and other receivables	591,452	591,452
Financial assets	76,095	76,095
Investment properties	147,922,264	147,922,264
Total assets	<u>148,589,811</u>	<u>148,589,811</u>
<i>Liabilities</i>		
Trade and other payables	1,436,592	1,436,592
Total liabilities	<u>1,436,592</u>	<u>1,436,592</u>

Fair value of the investment properties is estimated based on appraisals performed by independent, professionally-qualified property valuers.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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:

	2019 \$	2018 \$
Aggregate compensation	<u>736,954</u>	<u>747,300</u>

The Illawarra Community Housing Trust Limited
Trading as The Housing Trust
Notes to the financial statements
30 June 2019

Note 23. Related party transactions

Key management personnel

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

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

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.

Note 24. Contingent liabilities

A Bank Guarantee of \$53,625 has been provided to cover the rental bond for the company's office at Suite 7A, Level 7, 5 Bridge Street, Coniston NSW 2500.

As at 30 June 2019, a Bank Guarantee of \$19,230 (2018: \$19,230) is still in place 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.

Note 25. Commitments

	2019 \$	2018 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	117,293	281,143
One to five years	1,033,573	772,132
	<u>1,150,866</u>	<u>1,053,275</u>

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 2019 is \$5.242M (2018 forecast: \$5.014M).

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 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.

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30 June 2019

Note 27. 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 2019, there were 14 members (2018: 13 members).

The maximum amount that members of the company are liable to contribute if the company is wound up is \$280 (2018: \$260).

Note 28. Registered principal place of business

The address of the Company's registered office and principal place of business is Level 7, 5 Bridge Street, Coniston NSW 2500.

Note 29. Events after the reporting period

On 11 September 2019, The Illawarra Community Housing Trust Limited exercised its right to terminate the contract with a development company relating to a proposed development in Dapto. On 25 October, Housing Trust received notification from the development company it intended to dispute the termination of the contract. At the date of authorisation of the financial report, Housing Trust has not received formal statement of the particulars of the dispute from the development company. Accordingly, an estimate of the financial effect, if any, cannot be made.

No other matter or circumstance has arisen since 30 June 2019 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.

The Illawarra Community Housing Trust Limited
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Responsible entities' declaration
30 June 2019

In the responsible entities' opinion:

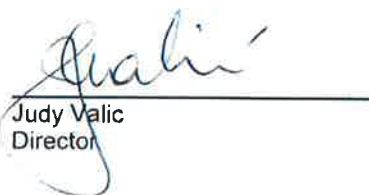
- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-Profits Commission Act 2012, the Australian Charities and Not-for-Profits Commission Regulation 2013 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2019 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



Michael Szafraniec
Director



Judy Valic
Director

28 October 2019