

PART 4: FINANCIAL INFORMATION



Hume Community Housing Association Co Ltd Directors' report 30 June 2019

The Directors present their report, together with the financial statements, on Hume Community Housing Association Co Ltd (referred to hereafter as 'registered entity' or 'Hume') for the year ended 30 June 2019.

Directors

The following persons were Directors of the registered entity during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Vine
Susan Holliday
True Swain
Lorraine Eddy
Phillip Hepburn
Jayson Bricknell
Nathan Rees
Robyn Parker (appointed 26 February 2019)

Objectives and strategy for achieving the objectives

The registered entity has a strategic plan (2018-2021). The objectives of the strategic plan are to consolidate and deepen our footprint, maximise social impact through neighbourhood planning and customer driven services and continue to grow a progressive and high achieving organisation.

The registered entity's activities resulted in the continuation of the registered entity's Tier 1 registration by the NRSCH and produced a surplus that will be used to further the registered entity's long-term objectives.

Principal activities

During the financial year the principal continuing activities of the registered entity was the provision of tenancy and property management services, as well as a wide range of housing options and support services to improve housing security and reduce homelessness.

Performance measures

The registered entity measures its performance by meeting the objectives established in the annual business plan and departmental service delivery plans to deliver the strategic objectives. Key performance indicators are also established and monitored both internally and as a comparison to external benchmarks. Hume's financial performance for 2019 is reported in the 2019 Annual Report.

Information on Directors

ROBERT VINE

Chairman, Member of Audit and Risk Subcommittee and Recruitment and Remuneration Subcommittee
Dip. Mgmt, Grad Dip. HR, MAICD

Robert Vine has served 14 years on the Hume Board including a two year spell as Chairman before being appointed again to the Director position in 2012 after a three year break.

Robert has been involved in “Not for Profits” management since 1972 culminating in retirement as CEO of one of the State’s largest groups of Co-operative Housing Societies.

With tertiary qualifications in Management, Human Resource Planning, Accounting and Financial management Bob brings to Hume an all-round raft of experience. Still serving on the NSW Government Co-operatives Advisory Board he is actively involved in the provision of affordable housing.



SUSAN HOLLIDAY

Deputy Chair, Member of Recruitment and Remuneration Subcommittee and the Development Subcommittee
FPIA, CPP, GAICD, BA (Economics), MPhil (Town and Country Planning)

Professor Sue Holliday is a City Planner and Economist. She is Professor of Planning Practice at UNSW, and was the Managing Director, Strategies for Change, an urban strategy consultancy until 30th June 2019

Sue had a long career in the public service and has demonstrated an outstanding commitment to affordable housing. She was Director General of Planning in NSW from 1997 to 2003. Whilst working as the Director General, the policy arm of NSW Housing and Landcom (prior to commercialisation) was a direct report. She was instrumental in establishing the City West Housing Company to achieve ongoing affordability options in Pymont and Ultimo.

She was appointed a member of the National Housing Supply Council from its inception to its closure in 2013. Sue has held various Board roles since 1997. She was a Director of the Transport Infrastructure Development Corporation from 2004-10. She was president of the NSW Building Professionals Board until June 2013. Sue was elected to the Hume Board in April 2014.



LARRAINE EDDY

Director, Member of Audit and Risk Subcommittee

Lorraine Eddy holds a Certificate in Welfare as well as an Advanced Certificate in Working with Older People. Lorraine has over 21 years experience working with older people and for the last 16 years has been advocating housing issues for the aged community through the “Assistance with Care and Housing for the Aged” Program in NSW.

Lorraine has held a position on the Hume Board since 2005 (Lorraine previously held a position on the Hume Board from 1998-2003) and is an active member of the Audit and Risk subcommittee.



TRUE SWAIN

Director, Chair of Development Subcommittee
JD, MBA, M. Pro Dev, B. CPM, GAICD

True Swain is an experienced senior executive manager and director, who has a wealth of professional skills in property development, construction project management, strategic planning, risk management, corporate governance and stakeholder engagement, in both the public and private sectors.

In his current position as a senior executive manager at Taronga Zoo Conservation Society, True is accountable for a \$300 million capital property development program across both metropolitan and regional sites. This position is responsible for leading a multi-disciplinary professional property team in the delivery of a diverse range of property development projects, within complex live operational environments.

The above professional experience is underpinned by multiple tertiary qualifications, including Juris Doctor, Master of Business Administration, Masters of Property Development, Graduate Certificate in Commercial Arbitration, Bachelor of Construction Project Management and Graduate of Australia Institute of Company Directors course. True was elected to the Hume Board in March 2014.



PHILLIP HEPBURN

Director, Member of Development Subcommittee and Audit and Risk Subcommittee
B EC, LLB, LLM, Grad Dip Company Secretarial Practice

Phillip has extensive experience in setting up legal, governance and compliance functions, advising Boards on all aspects of legal and compliance issues. Phillip was previously General Counsel and Group Secretary at Stockland where his role also included providing commercial and legal advice on business and property acquisitions and sales, and on all aspects of property development and capital management activities undertaken by the organisation. Phillip has been a director of subsidiary Boards and has extensive experience in management across the property, banking, retail and agricultural sectors. Phillip has a strong interest in the areas of Board governance, risk and compliance. Phillip was elected to the Hume Board in February 2016.



THE HON. NATHAN REES

Director, Member of Development Subcommittee and the Audit and Risk Subcommittee

Nathan Rees has lived his life in Western Sydney and has 26 years experience in public administration. After completing a horticulture apprenticeship, he undertook an Honours degree in English Literature at Sydney University.

Nathan served in the NSW parliament 2007-2015, including as Premier of NSW, Minister for Water, Minister for the Arts, Minister for the Central Coast and Minister for Emergency Services. He was the member for the Western Sydney seat of Toongabbie. He has a passion for Western Sydney and social justice.

Nathan was elected to the Hume Board in February 2017.



JAYSON BRICKNELL

Director, Chair of Audit and Risk Subcommittee and Member of Recruitment and Remuneration Subcommittee B Ec, GAICD

Jayson is an experienced Financial Services executive with broad business experience across a number of disciplines. He has specific expertise and a proven track record in customer experience, program and project management for system deliveries, stakeholder engagement, transformation programs, operational performance improvement, growth and strategy definition and execution (including mergers and acquisitions).

His experience includes 8 years with Westpac/BT Financial Group, 2 years with Third Horizon Consulting, 15 years with Macquarie Bank and over 5 years with Arthur Andersen & Co and PricewaterhouseCoopers. In his current role with Westpac as a Director, Product and Service Development, he is responsible for designing and delivering the employee experience on a large Home Ownership transformation program.

Jayson was elected to the Hume Board in March 2017.



THE HON. ROBYN PARKER

Director, Member of Development Subcommittee GAICD, JP

Throughout her life, Robyn Parker has worked to support, develop and strengthen individuals, families and communities. Robyn has over 30 years of public sector experience which included roles in Child and Family Services, as a TAFE teacher, and as CEO of Ageing and Disability Services.

Robyn served in the NSW Parliament for twelve years serving first as a Member of the Legislative Council, followed by four years as the Member for Maitland. Robyn chaired many Parliamentary Inquiries and was the NSW Minister for the Environment and Minister for Heritage (2011-2014).

Since leaving politics, Robyn has been appointed as a non-executive Director to a number of environment, education and for-purpose organisations.

Commercially focused and community driven, Robyn brings to Hume in-demand capabilities of leading transformation and applying the right level of strategic thinking required as the organisation embarks on a bold future

In particular, as a long-term resident Robyn has a unique, strong and well-established network of contacts and relationships coupled with a deep understanding of the Maitland and Port Stephens LGAs and their people which will be invaluable as Hume transitions to manage over 2,000 homes under the NSW FACS Social Housing Management Transfer program.

Robyn was elected to the Hume Board in February 2019.



Meetings of Directors

The number of meetings of the registered entity's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

BOARD MEETING (INC. SPECIAL BOARD MEETINGS)	AUDIT & RISK SUB COMMITTEE		RECRUITMENT & REM SUB COMMITTEE		DEVELOPMENT SUB COMMITTEE			
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lorraine Eddy	7	5	6	4	-	-	-	-
Robert Vine	7	7	6	6	2	2	9	8
Susan Holliday	7	7	-	-	2	2	9	8
True Swain	7	7	-	-	-	-	9	9
Nathan Rees	7	6	2	1	2	2	9	8
Phillip Hepburn	7	7	4	4	-	-	9	9
Jayson Bricknell	7	7	6	6	2	2	-	-
Robyn Parker	3	3	-	-	-	-	1	1

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

Contributions on winding up

In the event of the registered entity being wound up, ordinary members are required to contribute a maximum of \$20 each. Honorary members are not required to contribute.

The total amount that members of the registered entity are liable to contribute if the registered entity is wound up is \$420, based on 21 current ordinary members.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors



Robert Vine
Director

19 September 2019
Sydney



Jayson Bricknell
Director

19 September 2019
Sydney

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	2	32,526,280	31,564,243
Other income	2	1,077,153	2,073,660
Expenses			
Tenancy and property management expenses	3	(15,128,427)	(16,792,745)
Employee benefit expenses	3	(8,624,591)	(8,047,405)
Depreciation	8	(392,082)	(125,258)
Finance costs	3	(2,045,708)	(932,780)
Administration expenses	3	(3,676,491)	(3,790,841)
Project costs	3	(1,238,922)	(105,142)
Surplus before income tax expense and fair value movements on investment properties		2,497,212	3,843,732
Fair value movement on investment properties	9	(481,637)	(7,883,167)
Surplus/(deficit) before income tax expense after fair value movement on investment property		2,015,575	(4,039,435)
Income tax expense	1	-	-
Surplus/(deficit) after income tax expense for the year attributable to the members of Hume Community Housing Association Co Ltd		2,015,575	(4,039,435)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of Hume Community Housing Association Co Ltd		2,015,575	(4,039,435)

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

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	4	9,085,817	13,748,879
Other financial assets	5	12,000,000	-
Trade and other receivables	6	4,842,831	6,382,510
Other assets	7	1,058,950	899,606
Total current assets		26,987,598	21,030,995
Non-current assets			
Property, plant and equipment	8	2,163,820	2,407,193
Investment properties	9	103,386,177	100,661,715
Other assets	7	2,010,260	1,906,639
Total non-current assets		107,560,257	104,975,547
Total assets		134,547,855	126,006,542
Liabilities			
Current liabilities			
Trade and other payables	10	7,890,811	10,451,844
Borrowings	11	-	870,700
Employee benefits	12	813,551	653,578
Total current liabilities		8,704,362	11,976,122
Non-current liabilities			
Borrowings	11	35,000,000	25,250,700
Employee benefits	12	237,163	188,965
Total non-current liabilities		35,237,163	25,439,665
Total liabilities		43,941,525	37,415,787
Net assets		90,606,330	88,590,755
Equity			
Retained surplus		90,606,330	88,590,755
Total equity		90,606,330	88,590,755

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

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Retained surplus \$	Total equity \$
Balance at 1 July 2017	92,630,190	92,630,190
Deficit after income tax expense for the year	(4,039,435)	(4,039,435)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(4,039,435)	(4,039,435)
Balance at 30 June 2018	88,590,755	88,590,755
	Retained surplus \$	Total equity \$
Balance at 1 July 2018	88,590,755	88,590,755
Surplus after income tax expense for the year	2,015,575	2,015,575
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	2,015,575	2,015,575
Balance at 30 June 2019	90,606,330	90,606,330

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

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

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)		28,470,318	27,611,922
Payments to suppliers (inclusive of GST)		(33,255,329)	(28,281,130)
Grants received (inclusive of GST)		5,165,054	5,191,478
Interest received		285,553	210,381
Other borrowing costs paid		(1,336,517)	(932,781)
Net cash (used in)/from operating activities		(670,921)	3,799,870
Cash flows from investing activities			
Payments for investment properties		(603,780)	(10,564,782)
Payments for plant and equipment		(267,461)	(794,260)
Proceeds from disposals of plant and equipment		500	-
Investments in financial assets		(12,000,000)	-
Net cash used in investing activities		(12,870,741)	(11,359,042)
Cash flows from financing activities			
Proceeds from borrowings		35,000,000	9,658,223
Repayment of borrowings		(26,121,400)	-
Net cash from financing activities		8,878,600	9,658,223
Net (decrease)/increase in cash and cash equivalents		(4,663,062)	2,099,051
Cash and cash equivalents at the beginning of the financial year		13,748,879	11,649,828
Cash and cash equivalents at the end of the financial year	4	9,085,817	13,748,879

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



HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 1. SUMMARY OF 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.

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.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

New, revised or amending Accounting Standards and Interpretations adopted

The registered entity 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. These are discussed below:

AASB 9 Financial Instruments

The standard introduced new classification and measurement models for financial assets: cash and cash equivalents and trade and other receivables that were classified as loans and receivables under AASB 139 and are now classified as at amortised cost.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance against the financial assets measured at amortised cost. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 9 did not have any other significant impact on the Responsible Entity's accounting policies.

AASB 9 was adopted using the retrospective approach without adjusting comparatives. There was no impact of adoption on opening retained profits as at 1 July 2018 and therefore no adjustment is reflected.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Accounting standards issued that have not yet been early adopted are discussed below:

AASB 16 – Leases

AASB 16 – Leases now brings most leases of lessees on balance sheet, eliminating the distinction between operating and finance leases. This standard supersedes AASB 117 – Leases and is applicable to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply AASB 15 – Revenue from Contracts with Customers at or before the initial date of application of this standard.

Hume Community Housing Association Co Ltd is a member of 'PowerHousing Australia', who have been driving an industry wide review of the impact of AASB 15 and AASB 16 on the community housing sector. To date, the group have identified that implementation of the new accounting standards will primarily affect the following areas for community housing providers:

- Agreements in respect of properties rented to provide affordable housing, motor vehicles and rental of office space will be accounted for under AASB 16 which will result in these leases being brought onto the balance sheet. It is expected that the resulting impact will be an increase in non-current assets and a correlating increase in current and non-current liabilities. Additionally, it is anticipated that there will be an additional impact on the timing of expenses relating to the leases with the adoption of AASB 16 with reduced profits expected in the beginning years of the lease.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

- Agreements in respect to social housing and the more recent Social Housing Management Transfer ('SHMT') properties are considered to be outside of the scope of AASB 16 given that they are properties owned and controlled by the government and therefore considered to be service concession arrangements accounted for under IFRIC 12. With the adoption of the new accounting standards, it is anticipated that the impact will be an increase in the asset values as the implementation costs of the SHMT properties are able to be capitalised under AASB 15.
- Agreements in respect to owned properties that are a mix of social and affordable housing will be accounted for in accordance with AASB 15. It is anticipated that there will be no material impact on the adoption of this standard in respect to these agreements.
- It has been determined that revenues and grants for community housing providers will be accounted for under AASB 15 and AASB 1058 in respect to contracts with customers and residual income values of grants.

Hume Community Housing Co Ltd is currently updating the policies and procedures of the registered entity and determining the exact impact the new accounting standards will have for the year ended 30 June 2020 when adopted.

AASB 15 – Revenue from Contracts with Customers

AASB 15 - Revenue from Contracts with Customers specifies how and when revenue should be recognised as well as requiring more informative and relevant disclosures. The standard also requires additional disclosures in respect of the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This standard will be implemented with two supplementary not-for-profit specific standards, AASB 2016-8 Australian Implementation Guidance for Not-for-Profit Entities and AASB 1058 Income of Not-for-Profit Entities. These standards supersede AASB 118 – Revenue, AASB 1004 Contributions and a number of other revenue-related interpretations. AASB 15, AASB 2016-8 and AASB 1058 must be applied for all periods beginning on or after 1 January 2019, with early application permitted. An entity may adopt the standard on a fully retrospective basis or on a modified retrospective basis.

Hume Community Housing Co Ltd is currently updating the policies and procedures of the registered entity and determining the exact impact the new accounting standards will have for the year ended 30 June 2020 when adopted.

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 within the next financial year are discussed below.

Estimation of useful lives of assets

The registered entity 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

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.



HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Fair value of investment properties

Critical estimates are made by the Directors in respect of the fair value of investment properties. The fair value of these investments are reviewed regularly by Directors with references to independent property valuations and market conditions existing at reporting date, using generally accepted market practices.

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 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.

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.

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 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 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.

Income tax

As the registered entity is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 2. REVENUE AND OTHER INCOME

	2019 \$	2018 \$
Revenue		
Rental revenue	21,529,946	21,914,785
Grant revenue	4,711,739	4,507,272
NRAS incentives	2,869,815	2,421,895
Fee for service revenue	3,414,780	2,720,291
	32,526,280	31,564,243
Other income		
Interest income	308,184	210,380
Social housing subsidy program interest income	610,147	1,811,066
Other income	158,822	52,214
	1,077,153	2,073,660

Recognition and Measurement

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

Rental revenue

Rental income is recognised on a straight line basis over the term of the lease, except when an alternative basis is more representative of the pattern of services rendered through the provision of the leased premises.

Grant revenue and NRAS incentives

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

Fee for service revenue

Income from fees received for services is recognised when the service is provided.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Social housing subsidy program interest income

Social housing subsidy program interest income relates to Hume's financial interest in this completed program and is recognised in the periods when they are earned. Amounts receivable under this program were settled by transferring rights to property title and this has been separately disclosed in Note 9.

Other income

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

NOTE 3. EXPENSES

	2019 \$	2018 \$
Surplus before income tax includes the following specific expenses:		
Tenancy and property management expenses		
Rent expenses	9,700,764	10,541,252
Repairs and maintenance expenses	3,382,480	2,957,119
Council and water rates	1,553,793	2,286,457
Other property expenses	491,390	1,007,917
	15,128,427	16,792,745

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 3. Expenses (continued)

	2019 \$	2018 \$
Employee benefits expenses		
Superannuation expenses	727,632	658,120
Salaries and wages expenses	7,602,946	6,941,216
Other employee benefits expenses	294,013	448,068
	8,624,591	8,047,404
Finance costs		
Write of deferred loan costs	766,374	-
Other finance costs	1,279,334	932,780
	2,045,708	932,780
Administrative expenses		
Insurance expenses	961,874	439,900
Office expenses	811,338	851,707
Office rent	270,652	278,589
Audit and accounting fees	68,832	60,255
Other administrative expenses	1,563,795	2,160,390
	3,676,491	3,790,841
Project expenses		
Employee expenses	791,963	-
Administrative expenses	446,959	105,142
	1,238,922	105,142

Project expenses represents expenses incurred in relation to 2,209 properties being transferred under the Social Housing Management Transfer which occurred in September 2019.

NOTE 4. CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash on hand	634	750
Cash at bank	2,085,183	4,093,064
Cash on deposit	7,000,000	9,655,065
	9,085,817	13,748,879

Cash on deposit held as security \$7,010,045 (2018: Cash amounts restricted and held as cash on deposit as security \$4,329,593).

Recognition and Measurement

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.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 5. OTHER FINANCIAL COSTS

	2019 \$	2018 \$
Term deposits > 3 months	12,000,000	-
	12,000,000	-

Recognition and Measurement

Other financial assets include term deposits held with financial institutions with original maturities of greater than three months.

NOTE 6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
NRAS receivable	3,305,904	2,621,349
Trade receivables	191,495	299,191
Rental receivables	381,506	758,556
Social housing subsidy program receivable	-	1,811,066
Other receivables	1,008,296	936,718
	4,887,201	6,426,880
Allowance for expected credit losses	(44,370)	(44,370)
	4,842,831	6,382,510

Recognition and Measurement

Other receivables are recognised at amortised cost, less any provision for impairment. The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent revenue experience and historical collection rates.

NOTE 7. OTHER ASSETS

	2019 \$	2018 \$
Current		
Prepayments	1,048,950	842,482
Deposits for development projects	10,000	57,124
	1,058,950	899,606
Non-current		
Rental deposits	1,823,562	1,800,513
Deposits for development projects	186,698	106,126
	2,010,260	1,906,639

Recognition and Measurement

Payments made for deposits and costs for the development of investment properties are recognised as other assets when the payments have been made.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	2019 \$	2018 \$
Land and buildings - at cost	1,200,241	1,286,000
Less: Accumulated depreciation	(34,829)	(5,360)
	1,165,412	1,280,640
Plant and equipment - at cost	1,130,467	794,078
Less: Accumulated depreciation	(719,703)	(600,209)
	410,764	193,869
Furniture and fittings – at cost	1,271,079	1,233,607
Less: Accumulated depreciation	(683,435)	(506,233)
	587,644	727,374
Assets under construction - at cost	-	205,310
	2,163,820	2,407,193

Reconciliations

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

	Land and buildings \$	Plant and equipment \$	Furniture and fittings \$	Assets under construction \$	Total \$
Balance at 1 July 2018	1,280,640	193,869	727,374	205,310	2,407,193
Additions	-	227,861	39,100	-	266,961
Disposals	(85,757)	(30,867)	(1,628)	-	(118,252)
Transfers to plant and equipment	-	205,310	-	(205,310)	-
Depreciation expense	(29,471)	(185,409)	(177,202)	-	(392,082)
Balance at 30 June 2019	1,165,412	410,764	587,644	-	2,163,820

Recognition and Measurement

Property, 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.

For assets in the course of construction, no depreciation is applied until the asset is complete and is put into use by the registered entity.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives using the following rates per annum:

Buildings	2.5%
Plant and equipment	20% - 40%
Furniture and fittings	20%

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 8. Property, plant and equipment (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the registered entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Estimation of useful lives of assets

The registered entity 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.

NOTE 9. INVESTMENT PROPERTIES

	2019 \$	2018 \$
Investment properties - at directors valuation	103,386,177	100,661,715
	103,386,177	100,661,715

Reconciliation

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

Carrying amount at the beginning of the year	100,661,715	97,980,100
Transfer to close out Social Housing Subsidy Program	2,575,000	-
Other additions and development costs	631,099	10,384,586
Transfers from property, plant and equipment	-	180,196
Revaluation (decrement)	(2,890,583)	(4,283,167)
Other revaluation increment/(decrement) relating to provision for remediation work*	2,408,946	(3,600,000)
Carrying amount at the end of the year	103,386,177	100,661,715

*In December 2017, the NSW Government strengthened the fire safety laws with the introduction of the Building Products (Safety) act 2017. During 2018, the registered entity undertook a fire risk assessment of its investment property portfolio which identified certain non-compliance. The director's valuation takes into account the estimated costs of remediation less any expected recoveries from third parties in determining fair value and as such the net provision for remediation works has been recognised as a fair value decrement to the valuation.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 9. Investment properties (continued)

Recognition and Measurement

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

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

During the year the investment properties were independently valued by Jones Lang LaSalle. The valuation was based on the fair value less costs of disposal. The valuation resulted in a revaluation decrement of \$2,890,583 being recognised for the year ended 30 June 2019 (2018: \$4,283,167).

Fair value of investment properties

Fair value hierarchy

The following tables detail the registered entity's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties	-	-	103,386,177	103,386,177
Total assets	-	-	103,386,177	103,386,177

30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties	-	-	100,661,715	100,661,715
Total assets	-	-	100,661,715	100,661,715

There were no transfers between levels during the financial year.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 9. Investment properties (continued)

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.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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.

NOTE 10. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Trade creditors	706,074	15,693
Other creditors	1,985,778	2,262,726
Rents in advance	431,342	930,175
Grants in advance	328,207	344,442
Grants to be refunded	182,742	182,742
Property related accruals	1,712,606	1,724,306
Retention payable	44,000	447,375
Accruals for development projects	-	1,104,371
Employee salary accruals	489,499	393,992
Other accruals	904,210	1,702,504
Other deferred income	1,106,353	1,343,518
	7,890,811	10,451,844

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the registered entity 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.

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 11. BORROWINGS

	2019 \$	2018 \$
Current		
Bank borrowings	-	870,700
	-	870,700
Non-current		
Bank borrowings	35,000,000	25,250,700
	35,000,000	25,250,700

Recognition and Measurement

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.

On 19 March 2019 the company entered into \$35m loan facility agreement with National Housing Finance and Investment Corporation under Affordable Housing Bond Aggregator (ABHA). The facility has 10 term expiring on 19 March 2029 with interest only payable monthly. The interest rate is fixed at 2.93%.

The bank borrowings are secured by first mortgages over the registered entity's land and buildings. The loan balance must not exceed 45% of the secured property value.

NOTE 12. PROVISIONS

	2019 \$	2018 \$
Current		
Annual leave and long service leave	813,551	653,578
	813,551	653,578
Non-current		
Long service leave	237,163	188,965
	237,163	188,965

NOTE 13. CONTINGENT LIABILITIES

There are three security deposit guarantees in respect of properties managed or tenanted by the entity: \$65,294 in respect of the Parramatta office (2018: \$47,000), \$97,000 in respect of the Pembroke Street Boarding House (2018: \$45,000) and \$12,567 in respect of the Merrylands property (2018: nil).

As at 30 June 2019 Hume Community Housing Association Co Ltd has capital commitments of \$1.5m outstanding in respect of the rectification of cladding at its Telopea properties (2018: nil).

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 14. COMMITMENTS

Lease commitments	2019 \$	2018 \$
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	361,706	40,797
One to five years	1,107,374	-
More than five years	675,000	-
	2,144,080	40,797

NOTE 15. RELATED PARTY TRANSACTIONS

Key management personnel

Compensation

The aggregate compensation made to directors and executives as key management personnel of the registered entity is set out below:

	2019 \$	2018 \$
Aggregate compensation	1,305,016	1,346,187

NOTE 16. FINANCIAL RISK MANAGEMENT

The main risks the entity is exposed to through its financial instruments include credit risk and liquidity risk.

The entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable, and lease liabilities.

Financial assets	2019 \$	2018 \$
Cash and cash equivalents	9,085,817	13,748,879
Trade and other receivables	4,842,831	6,382,510
Other financial asset	12,000,000	-
Total Financial Assets	25,928,648	20,131,389
Financial liabilities		
Trade and other payables	7,890,811	10,451,844
Bank loans	35,000,000	26,121,400
Total Financial Liabilities	42,890,811	36,573,244

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 16. Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Registered entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Registered entity. There is no concentration of credit risk with respect to current receivables. The maximum exposure to credit risk at balance sheet date is the carrying value of these assets, net of any provision for impairment, as disclosed below:

	2019 \$	2018 \$
Cash and cash equivalents	9,085,817	13,748,879
Trade and other receivables	4,842,831	6,382,510

Liquidity Risk

Liquidity risk is the risk that the Registered entity may encounter difficulties raising funds to meet commitments associated with financial instruments.

The Registered entity is not significantly exposed to this risk, as it has \$9,085,817 (2018: \$13,748,879) of cash and cash equivalents to meet these obligations as they fall due.

The Registered entity manages liquidity risk by monitoring cash flows and ensuring it has sufficient cash reserves and available borrowings to be able to pay debts as and when they become due and payable.

Maturities of financial liabilities

The tables below analyse the Registered entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

30 June 2019	Less than 12 months \$	Between 1-3 years \$	Over 3 years \$	Total \$
Non-derivative financial liabilities				
Trade and other payables	7,890,811	-	-	-
Borrowings	-	-	35,000,000	42,890,811
	7,890,811	-	35,000,000	42,890,811

30 June 2018	Less than 12 months \$	Between 1-3 years \$	Over 3 years \$	Total \$
Non-derivative financial liabilities				
Trade and other payables	10,451,844	-	-	10,451,844
Borrowings	870,000	-	25,250,700	26,120,700
	11,321,844	-	25,250,700	26,571,544

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 17. EVENTS AFTER THE REPORTING PERIOD

On 2 September 2019, Hume Community Housing took over management of additional 2,209 properties based in the Hunter Region through the Social Housing Management Transfer program.

Except for the above, no matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect the registered entity's operations, the results of those operations, or the registered entity's state of affairs in future financial years.

NOTE 18. ECONOMIC DEPENDENCY

The registered entity is economically dependent on the NSW State Government and the Federal Government for significant financial support in the form of subsidies and grants to assist in the delivery of affordable and social housing to the community.

NOTE 19. MEMBERS' GUARANTEE

The registered entity is incorporated under the Australian Charities and Not-for-profits Commission Act 2012 and is an entity limited by guarantee. If the registered 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 the number of members was 21 (2018: 20).

HUME COMMUNITY HOUSING ASSOCIATION CO LTD

DIRECTORS' DECLARATION

30 June 2019

In the Directors' opinion:

- the attached financial statements and notes comply with the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Accounting Standards - Reduced Disclosure Requirements, 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 registered entity'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 registered entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the Directors



Robert Vine
Director
19 September 2019
Sydney



Jayson Bricknell
Director
19 September 2019
Sydney



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INDEPENDENT AUDITOR'S REPORT

To the members of Hume Community Housing Association Co Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Hume Community Housing Association Co Ltd, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion the accompanying financial report of Hume Community Housing Association Co Ltd, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- Giving a true and fair view of the registered entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of 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 registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act)* 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 also 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 for our opinion.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Hume Community Housing Association Co Ltd's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the registered entity'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 intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO

BDO East Coast Partnership
Ian Hooper Partner
Sydney, 19 September 2019

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