Celebrating 20 years

of providing affordable housing in Canberra

CHC Annual Report 2017/18

chc
20 YEARS

Safe and secure homes in strong communities.

Performance Snapshot

1310 Canberrans

housed today by CHC

416

homes owned and rented
at below market rates

85%

overall tenant satisfaction

Robust balance sheet with

$125m total equity

2017/18 EBITDA of

$3.7m

Measure	This year	Over 20 years
Rental subsidy funded by CHC	$3.1m	>$25m
Affordable rental homes developed and managed by CHC	3 additional	>260
Affordable homes developed and sold by CHC to eligible purchasers	38 additional	>300

Contents

Welcome to CHC's 2017/18 Annual Report

CHC is the largest not-for-profit community housing provider in the ACT.

2018 marked twenty years' experience in providing quality affordable housing to Canberrans on low to moderate incomes.

As an outcome of a strategic review in early 2018, CHC adopted a new vision and mission statement:

Our Vision:

Safe and secure homes in strong communities.

Our Mission:

To provide affordable homes, principally for rent, to individuals and families.

Our new vision and mission are underpinned by updated values:

Our Values:

Customer centric

Everything we do directly or indirectly delivers value to our current or prospective future tenants.

Authentic

We are genuine and respectful in our dealings with our tenants, staff and all other stakeholders.

Collaborative

We proactively partner with others to deliver greater value and manage risk.

Innovative

We bring fresh thinking to tackle industry challenges and to better meet our tenant needs.

Continuous improvement

We strive to continuously improve all we do, and to accept that some of the greatest learnings and advances will result from initiatives that fail.

Report from the Chair

20 years of delivering affordable housing

This year CHC celebrated its 20th year delivering housing and related services to low-moderate income Canberrans, and I feel privileged to have been entrusted as Chair for the past seven years.

Unfortunately the delivery of affordable housing is as urgent today as it has been at any time since the organisation was founded in 1998, with a recent Anglicare rental affordability study showing that Canberra is the second least affordable city in Australia in which to rent. Further, the study shows that over 50% of lower income households in the private rental market are in housing stress, spending over 30% of their gross income on rent. This highlights the importance of the work of CHC, and the community housing sector in general.

Our performance this year

In terms of key output measures, during the year the organisation:

- Developed and exchanged sale contracts on **38 affordable homes** as part of the ACT Government's Land Rent Scheme, at Moncrieff and Throsby, and in doing so will provide a home ownership opportunity to over ten CHC tenant families;
- Developed and retained ownership of **three new affordable rental homes** in Kambah that are now rented at below market rates; and,
- Commenced or continued design and planning work for a range of Specialist Disability Accommodation, Independent Living Unit, and/or affordable homes for purchase and for rent, across development sites in Kambah, Macgregor, Throsby and Downer.

From a financial perspective, in delivering these outputs the organisation:

- Fully funded a **rental subsidy of $3.1m**, being the largest ever in the history of CHC;
- Achieved Earnings Before Interest Tax Depreciation and Amortisation **(EBITDA) of $3.7m**;
- Posted a **net deficit of $0.6m**, driven by settlements for Moncrieff and Throsby affordable sales being outside the reporting period, and a materially increased depreciation expense compared to prior year as a result of changes to the estimated remaining lives for CHC's housing assets;
- Had a **net cash outflow of $7.5m**, which includes the commencement of principal repayments (and continued payment of interest) on the ACT Government debt facilities in the amount of $2.5m, leaving a total **cash position at year-end of $17.8m**; and,
- Maintained a **Total Equity position of $125m**.

New leadership and direction

The Board appointed a new Chief Executive Officer, Andrew Hannan, in December 2017, and with the Board's oversight and support Andrew led a review of the strategic direction of CHC. As part of this, Andrew led an extensive consultation process with a range of ACT Government and non-Government community sector stakeholders, culminating in the Board's endorsement of a new CHC Strategic Plan 2018-2022.

The new Strategic Plan responds to the market demand for greater supply of affordable rental homes, and the financial realities of delivering subsidised housing, and critically assumes a level of Government support.

In addition to the updated Vision, Mission and Values already set out in this report the following strategic goals and targets were also agreed:

- **Sustainable business model** – achieve positive underlying net surplus and cash flow by 2020;
- **Outstanding tenant experience** – deliver top quartile tenant satisfaction; and,
- **Increased impact** – 2000 tenants by 2022 in appropriate, safe and secure homes, and $30m direct rental subsidy to tenants by 2022.

Major headwinds CHC is facing that the Strategic Plan responds to include:

- Commencement of principal repayment obligations, per the terms of the ACT Government debt facilities struck 10 years ago, that have been instrumental to CHC's growth in impact since 2008; and,
- Roll-off of the Commonwealth Government's National Rental Affordability Scheme (NRAS), which will result in the progressive loss of over $2m of annual revenue from 2020.

Subsidised housing needs a subsidy

With the right support, the community housing sector, including CHC, is well placed to support Government in delivering on affordable housing objectives, and in an efficient manner, such as by reducing the capital burden on Government and reliance on its services.

For the community housing sector to deliver subsidised housing, a Government subsidy of some form is required. CHC will continue to actively engage the ACT Government through the implementation phase of the recently released ACT Housing Strategy.

A word of thanks

On behalf of the Board I would like to thank Paul Kane for his outstanding service as Chief Executive Officer in the transition period leading into the appointment of Andrew Hannan, and would like to thank Andrew for his professionalism and leadership since taking on the role of CEO.

I would also like to take this opportunity to thank my fellow directors, independent committee members and our staff for their tireless commitment and contributions to CHC.

Thank you also to our tenants who are central to everything we do, and to the many partners who support us.

Col Alexander, OAM

Chair

CEO Report

A new direction, partnering for growth

I was delighted to join the CHC team as Chief Executive Officer in December 2017, and it is a privilege to now lead an organisation with such a strong history of delivering results over the last 20 years, and with such solid foundations from which to further grow the impact we deliver for Canberrans.

To that end I would like to acknowledge the strong support of successive ACT Governments; the outstanding work of current and former Directors, executive teams and staff; the support of current and former development, tenancy support provider, and other partners; and, our current and former tenants that are the primary reason we exist as an organisation.

Our results over 20 years speak for themselves:

- Development of close to 1000 properties, with over 300 affordable sales to eligible Canberrans, and over 26o properties retained as affordable rental homes;
- Growth in portfolio of affordable rental homes owned and managed by CHC to 416;
- Provision of affordable rental homes for thousands of Canberrans, including 1310 Canberrans today;
- Over $25m in direct rental subsidies to CHC tenants fully funded by CHC; and,
- Growth in CHC total equity to $125m.

In the past 12 months our highlights in terms of impact delivery include the development and retention of three new affordable rental homes in Kambah, and the development and exchange of contracts on 38 affordable homes in Moncrieff and Throsby, including sales to 12 CHC tenant families.

Our new strategy

Whilst CHC has been very successful in delivering on its mission over the past 20 years, there are some changes required today that were identified through the strategic planning process in early 2018. These necessary changes will ensure that CHC can grow its impact, with an ambitious target to deliver affordable rental homes for over 2000 Canberrans by 2022, and do so in a financially sustainable manner.

The CHC Strategic Plan 2018-2022 includes a three phase approach to achieve the new strategic goals and targets outlined in the Report from the Chair:

- **Phase 1 – Stabilise.** Key activities: *Form new leadership team, adopt flatter organisational structure, tighten focus on growing impact for tenants, and materially reduce operating costs.* Status: *Now complete.*
- **Phase 2 – Transform.** Key activities: *Align operating model with new strategy, drive operational excellence, improve tenant experience, rationalise development program, and secure Government support.* Status: *Underway.*
- **Phase 3 – Grow.** Key activities: *Drive sound commercial outcomes from development and other commercial activities; leverage partnerships to gain expertise, access to new sites and reduce risk; implement fee-for-service and head lease models for management of third party owned homes; and, actively engage Government to secure access to suitable development sites.* Status: *From 2019.*

Partnering for growth

Aligned with our growth strategy, we are actively pursuing mutually beneficial partnership opportunities, for example with:

- Equity capital market participants seeking to invest in the residential property market with a secure long term lease and professional property management by CHC, and gain access to Commonwealth Government investment tax incentives that are restricted to delivering affordable housing;
- Developers seeking to improve investment returns by partnering with CHC to deliver a component of a new development as affordable housing, and in the process win ACT Government Lease Variation Charge remission, and/or other planning concessions, as signalled in the recently released ACT Housing Strategy;
- Developers seeking to access below market financing available by partnering with CHC to deliver mixed use developments incorporating a component of affordable housing, through the Commonwealth Government's National Housing Finance and Investment Corporation (NHFIC); and,
- Residential property investors seeking to contribute to alleviating the rental affordability challenge in the ACT by offering their investment properties for use as affordable rental homes managed by CHC, with foregone rental income offset by a potential land tax exemption as signalled in the recently released ACT Housing Strategy, and potential ATO charitable donation treatment.

Thank you

A very big thank you to our staff, for their resilience, perseverance and can-do attitude exhibited as we implemented painful but necessary changes to the CHC operating model and organisational structure as part of our strategic review. A thank you also to our very experienced and capable Board of Directors – your direction, guidance, support and level of input is greatly appreciated. Thanks also to my predecessor, Paul Kane, the extent of and quality of your work during the transition period was very evident, and made my commencement as smooth as possible for all involved.

Thanks to our tenants for your clear communication and feedback enabling us to improve our operations, and for your active engagement in our community development program. Thanks also to our many partners and contractors that support delivery against our mission.

Conditional on obtaining Government support CHC now has every opportunity to deliver on our goals and targets in supporting more Canberrans on low-moderate incomes.

Andrew Hannan
Chief Executive Officer

Corporate Governance & Risk Management

CHC plays an important role in the lives of people in our community.

We are constantly monitoring and continuously improving our governance and management processes and ensuring that tenants remain at the centre of all we do.

Board of Directors

Our independent Board of Directors provide vital oversight and direction to the executive management team, helping to drive the growth and strength of the organisation.

Providing excellent service to our clients is at the heart of our objectives. We seek to foster innovation and excellence in the housing we offer.

Expanding our portfolio of rental properties allows us to create more housing opportunities for people living in our community.

Each member of the Board is hand-picked to bring a skill set that helps CHC meet our charter. Directors may be appointed for their expertise in housing development, asset management, community and social policy development, law, finance, or accounting.

This year, we thank the following Directors for their ongoing commitment and contributions to the success of our organisation:

Colin Alexander *OAM, FCPA, BA (Acc)*	Chair; Chair Development Committee, Chair Remuneration Committee, Member Finance Committee
Paul Green *MG, BA, LLB (Hons)*	Deputy Chair; Member Development Committee, Member Remuneration Committee, Member Audit Committee
Rebecca Vassarotti *BA/MenvLaw*	Director; Chair Community Committee
Cathi Moore *BA (Social Science)*	Director; Chair Audit Committee, Member Community Committee
Clare Wall *B Ec, Dip Rec. Pl, M Pub Pol*	Director; Member Community Committee
Paul Carmody *BA (Admin)*	Director; Member Development Committee
Jill Divorty *B Bus (Acctg & Fin), MBA, FCPA, GAICD*	Director; Chair Finance Committee, Member Audit Committee since being appointed in December 2017
Richard Bear *Bcom*	Director; Member Audit Committee until he stood down in December 2017

Additional information about our Directors can be found on Page 4 of the Financial Statements.

Corporate Governance & Risk Management

Executive Team

Reporting to the Chief Executive Officer, our executive team provides strategic leadership and managerial insight for the organisation.

As an outcome of the strategic review in early 2018 a flatter and more efficient organisation structure has been implemented with heads of functional areas of Operations, Development, Finance, HR, Risk and Compliance all reporting directly to the Chief Executive Officer.

Audit & Risk Committee

CHC's Audit Committee oversees organisational risk; maintains an effective control environment (including systems for internal monitoring and financial and fraud control); maintains reliable financial reporting; ensures compliance with applicable laws, regulations and guidelines; and, maintains effective audit functions. The Committee meets regularly with the CHC executive team, enhancing communication between the Board and external auditors.

Community Committee

CHC's Community Committee helps to ensure that the organisation continues to provide exceptional service to our tenants, and that a strong sense of community is fostered through our community development program.

The Committee undertakes regular review of our tenancy policies and procedures, and holds tenant forums, providing feedback to guide community development.

Development Committee

CHC's Development Committee was established to guide the organisation's property development program.

During the year CHC developed and exchanged contracts for sale on 38 land rent properties in Moncrieff and Throsby on allotments gained under the government's Land Rent Scheme.

CHC also developed and retained three affordable rental properties in Kambah which are now head leased to other organisations with complimentary missions to CHC's.

The committee has also guided the planning work for the upcoming development, *The Bradfield,* in Downer.

Finance Committee

CHC's Finance Committee assists the Board by providing oversight of all strategic finance matters for the Company, not otherwise assigned to the Audit and Risk Committee. Without limitation, the Finance Committee reviews the Company's:

- capital allocation process and financing strategy,
- annual budget and business plan,
- capital structure, and
- finance papers.

Regulatory Compliance

CHC is a not-for-profit company registered under the Australian Charities and Not-For-Profit Commission Act 2012.

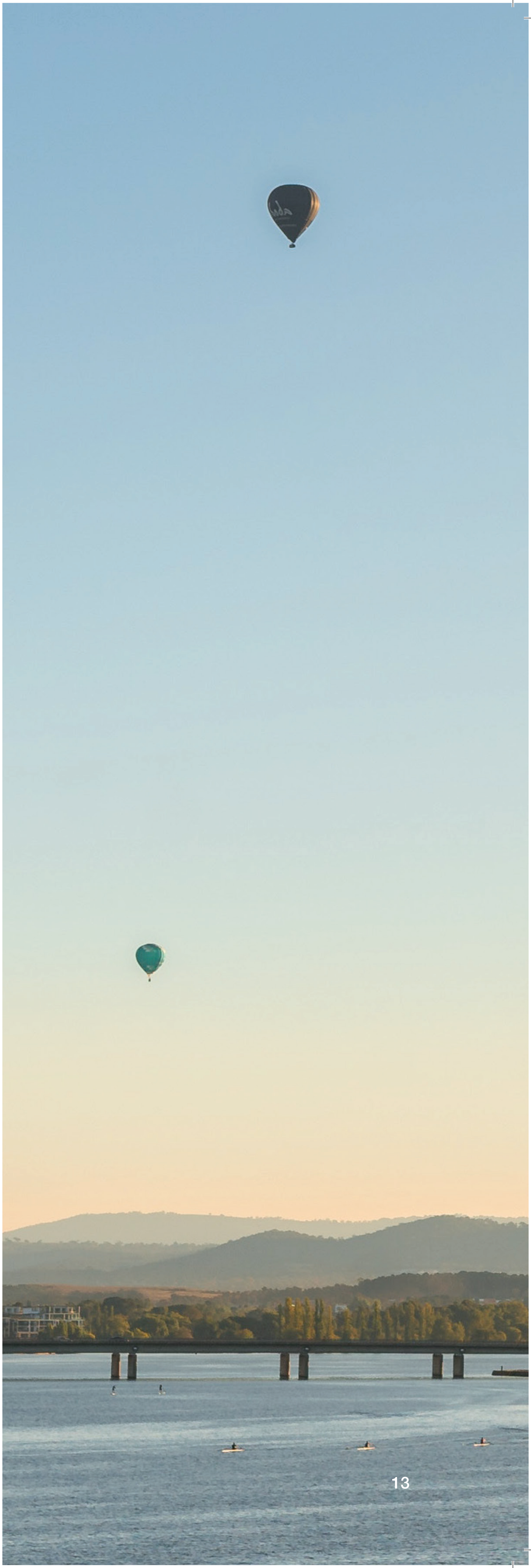
CHC is a Charity, and endorsed as a Public Benevolent Institution. This status is determined by the Australian Taxation Office and Australian Charities and Not-for-Profit Commission (ACNC).

The ACT Government provides stamp duty, payroll and land tax exemptions.

CHC is also registered as a Tier 1 provider under the National Regulatory System for Community Housing (NRSCH) Providers. This registration is the highest attainment under this system and CHC is committed to maintaining this status.

CHC remains an approved participant under the National Rental Affordability Scheme (NRAS) and is committed to maintaining and maximising incentives under the Scheme for itself and its Non-Entity Joint Venture investors.

CHC complies with Accounting Standards as determined by the Australian Accounting Standards Board. The ACT Auditor General, in accordance with CHC's constitution, conducts an annual audit of CHC. These financial statements are published in full within CHC's Annual Report.



Our Staff

As a business CHC is committed to fostering social cohesion and takes the same approach when it comes to employee relations. We are committed to maintaining a workplace that promotes safe work practices, tolerance and teamwork. Our staff have adopted the new vision and core values which has been critical to the successful delivery of our shared goals and objectives.

While recognising the collective contribution, CHC is committed to the importance of individual performance and staff development. CHC employs a performance management framework to provide regular, ongoing feedback and encouragement to staff. We also maintain training and development programs, so that staff are able to advance in both their personal and professional lives.

CHC also recognizes the importance of maintaining staff wellbeing and satisfaction and all CHC staff have access to external wellbeing services. Additionally, in January 2018 an enterprise agreement came into effect between CHC and our employees after a period of negotiation. The agreement was supported by the majority of the employees, which sets the wages and working conditions and has also been approved by the Fair Work Commission.

The staff at CHC all contribute towards our positive workplace culture and their dedication and professionalism continues to ensure our mission to provide affordable housing, predominantly for rent, to individuals and families is upheld.

CHC supporting our tenants through CIT partnership

CHC supporting Barnardos Gifts for Kids Christmas Gift Appeal

CHC supporting Homeless Connect Canberra

Our Impact

1310

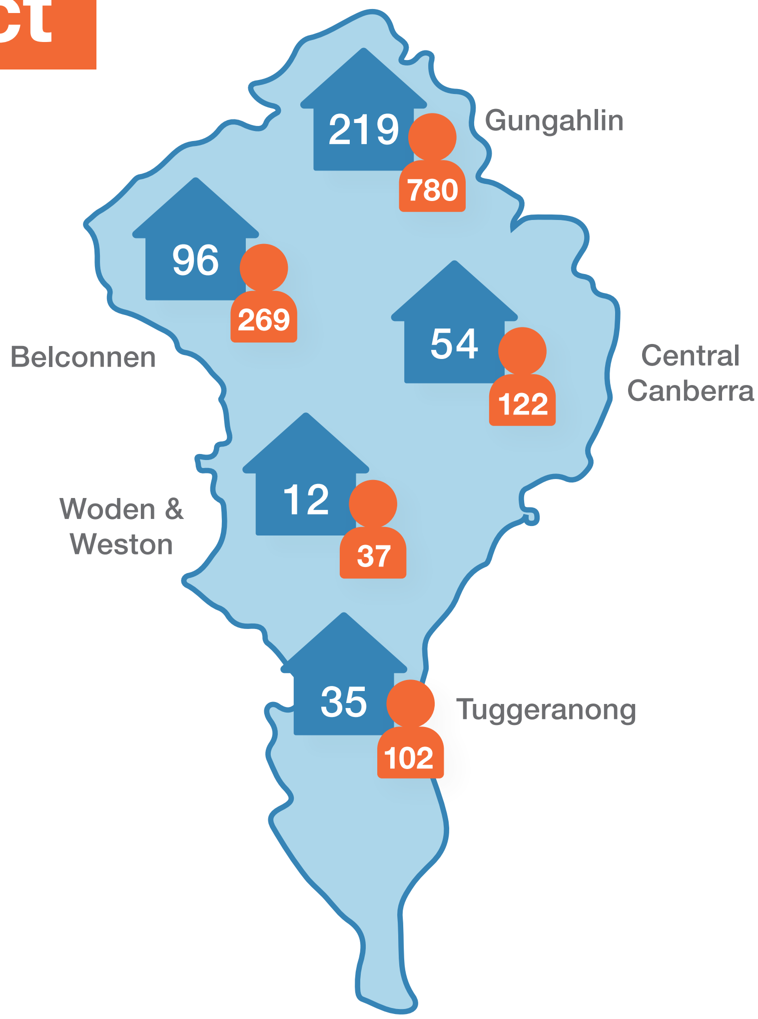
Tenants

416

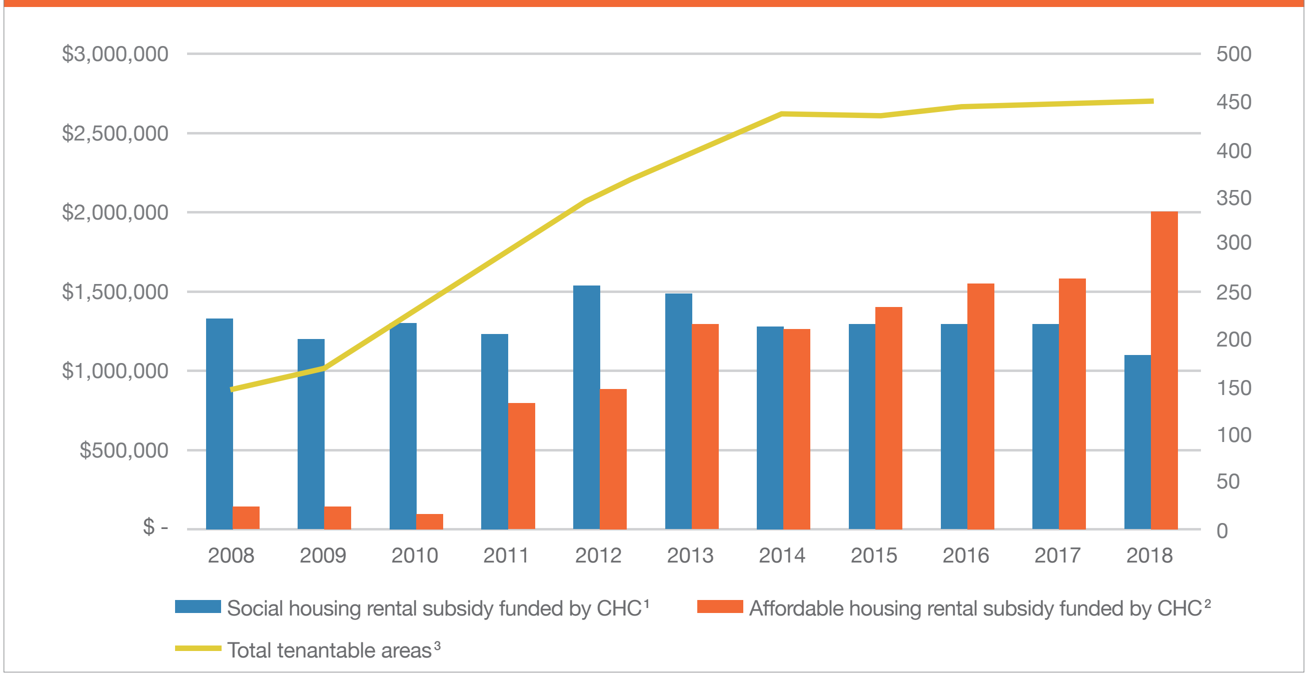
Residential properties

$3.1m

in rental rebates in 2018



Rental subsidy funded by CHC and tenantable area growth



[1]Social housing operates on a Rebated Rent model (25% of household income plus Commonwealth Rental Assistance).

[2]Affordable Housing operates on an Affordable Rent Model (74.9% of market rent).

[3]Total tenantable areas of 449 is greater than total residential properties of 416 due to multiple tenancies within each of CHC's group homes.

Tenant Feedback

"CHC is doing a very great job, providing a very nice and comfortable home for me and my daughter. The staff are very kind and always smiling. Thank you and god bless you all."

"CHC have always been helpful. They really planned the homes considering families with children. Thank you so much for giving us good facilities, taking care of us in emergencies (maintenance) and providing us with affordable rent."

"I have lived as a CHC tenant for 4 years and my life has been so great. I was pregnant and a single mother with a 5 month old and having this unit saved my life and continues to do so. My unit was close to the shops, library and medical centers which made medical appointments and health checks for me and my son easier. Thank you CHC!"

"I believe CHC ultimately improve their tenants lives with affordable homes. CHC staff are overall helpful, informative, and knowledgeable. Thank you CHC."

Tenant Satisfaction Survey

In June, CHC conducted a Tenant Satisfaction Survey as required biennially by the National Regulatory System for Community Housing (NRSCH).

We collected completed surveys from 56% of CHC tenants, compared to 25% in previous years.

The objectives of this survey are to:

- Establish levels of tenant satisfaction with services in line with NRSCH.
- Measure performance against previous tenant survey results.
- Inform future service delivery improvements.

Overall summary

The headline findings for the 2018 tenant satisfaction survey are:

- CHC's tenants have shown good levels of satisfaction with most areas of their housing service.
- Compared to 2016 results, there were decreases with Housing Services -6%, Property Condition -3%.
- There were increases in satisfaction for Repairs +12%, Communication +7% and Tenant Engagement +4%.
- Overall satisfaction was up +2% from 83% to 85%.
- Furthermore, we can assume the results are more reliable in 2018 than 2016 with a sample pool reflecting 56% of tenants compared to 25%.

	CHC Satisfaction 2016	CHC Satisfaction 2018	Difference
Housing services	88%	82%	-6%
Repairs	73%	85%	+12%
Property condition	89%	86%	-3%
Complaints	76%	75%	-1%
Neighbourhood	93%	89%	-4%
Communication	84%	91%	+7%
Tenant engagement	81%	85%	+4%

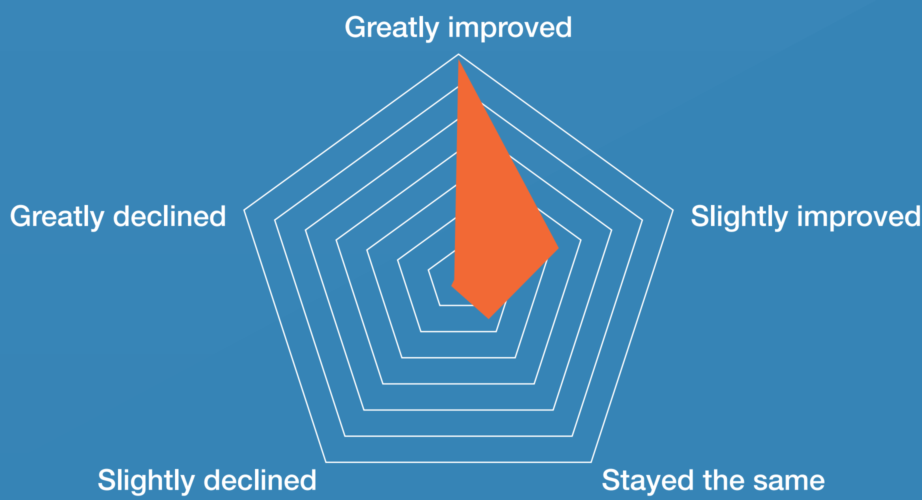
NRSCH Comparison Summary

CHC scored higher across the NRSCH thresholds for Housing Services, Repairs and Property Condition.

	CHC Satisfaction 2018	NRSCH thresholds	Difference
Housing services	82%	75%	+7%
Repairs	85%	75%	+10%
Property condition	86%	75%	+11%

Importantly, all tenants were asked if their life has improved since living in a CHC property.

Respondents reported an excellent level of improvement,
with a combined improvement rating of 84%.



Community Development

Community Development is a core service of CHC and we work with tenants to promote social inclusion via tenant activities, training partnerships, school holiday programs, and other opportunities. There has been a particular emphasis over the past 12 months on providing needs-based opportunities to maximise the benefits to our tenants. Our Community Development program has been designed to support employment, provide educational opportunities and promote cultural diversity.

CIT Partnership

CHC have established a 3 year partnership with CIT Bruce which supports local students with an off-site learning program and contributing to the award of a Diploma in Community Services. This year, five students worked with CHC to develop and implement service programs. The students obtained and presented three training courses to CHC in the hospitality and construction industry. The courses include Barista Training, Construction White Card Training and completing RSA (responsible service of alcohol) Certificates. A total of 19 tenants took part in the vocational upskilling courses. We look forward to a continued relationship with CIT to enrich the learning experience for the aspiring ACT community workers and to also identify needs-based opportunities for CHC tenants.

"Thank you CHC for your support in making this project happen - Great things are brought about and burdens are lightened through the efforts of many hands anxiously engaged in a good cause." - Camila

Zoo event 2018

CHC hosted a tenant event at the National Zoo & Aquarium in April where 63 tenants (29 adults and 34 children) joined CHC staff in attendance. This family event aimed to build relationships between tenants and strengthen the relationship between CHC and tenants. The feedback from those who took part in the event was overwhelmingly positive.

"The day was educational and caters for everyone's needs."

"For a number of months, each time we travelled in the vicinity of the National Zoo and Aquarium (NZ&A), my 8yr old son Hunter would without fail ask if he could go there Being a self-employed single mum of four, budgeting is a must, and with the costs associated with such an outing, I often replied with a "hopefully sometime soon darling". Imagine how thrilled I was when I discovered the mailed CHC flyer advertising a free NZ&A event for their families! Needless to say Hunter was over the moon! We had the most fun-filled, special day. I can't thank you enough CHC for the opportunity and for contributing in to making more priceless memories with my children." - Sabrina

Over 55's boat and garden tour

CHC hosted a boat trip for our tenants who are over 55 years old. Commencing on the shores of Lake Burley Griffin, 9 tenants enjoyed boat cruise to Government House. A guided tour of the Government House grounds was hosted by Judith - an experienced gardening enthusiast who shared with the tenants some historical facts of the property and surrounding gardens. Heading back to the boat, the group were greeted by the Governor-General himself, Sir Peter Cosgrove, welcoming them as he drove past.

New friendships were made over fresh fish and chips at the Yacht Club's Snapper Restaurant. What a memorable Day for all!

"I was pleased and excited to receive the invitation to the cruise to Government House. This was my first outing to a senior's event. Also a bonus was, I had never been to Government House. I think I could speak for the group in saying we had a delightful time getting to know each other over the fish and chips at Snappers. I also enjoyed chatting with one of the ladies on the boat. Over all it was a lovely time out. Thank you CHC." - Susan

Seasonal tenant newsletters

Our Developments

CHC has made significant progress in our developments this year.

Making use of our unique position as a community housing provider with in-house development capabilities to identify and respond to community needs including those with disability, woman and children escaping domestic violence and families and individuals on low to moderate incomes.

CHC is committed to growing our rental portfolio as well as assisting tenant families to progress along the housing continuum from affordable home rental to affordable home ownership through the ACT Government's Land Rent Scheme.

Throsby property

Kambah

11

new dwellings

3

affordable homes added to CHC's rental portfolio

8

fully accessible homes

Kambah is the northernmost suburb in the Tuggeranong district, where CHC purchased six blocks of land with an intent to develop and retain affordable dwellings for people with severe physical disability.

To date 3 affordable dwellings have been completed and added to CHC's rental portfolio while the 8 fully accessible dwellings are undergoing the building approval phase.

CHC has partnered with various care providers including Care Plus Services & House with No Steps to ascertain suitable participants and delivery of specialist disability homes.

Forecast completion date for 8 fully accessible properties is June 2019.

Moncrieff

35

new dwellings

97%

of the homes sold

9

CHC tenants have purchased their first home

CHC is near completion of 35 new homes, 33 of which are affordable homes under the ACT Government's Land Rent Scheme in Moncrieff.

Moncrieff is fast-becoming a popular choice for first home buyers. Ideally located on Horse Park Drive between the established suburbs of Ngunnawal and Amaroo, Moncrieff enjoys close proximity to the Gungahlin Town Centre and the newly completed Casey shopping precinct. Precisely planned for livability, Moncrieff has been designed to retain existing hilltops, ridges and open space. The suburb includes playgrounds, walking trails, ponds, a group centre and community facilities.

Under the Land Rent Scheme purchasers only require finance for the house component of the property, and pay rent on the land to the ACT Government upon settlement. The Land Rent Scheme has made home ownership more accessible and as such nine of our tenant families have been able to purchase their own homes.

Throsby

10

new Land Rent homes

90%

of the homes sold

3

CHC tenants have purchased their first home

In 2018, following the success of the CHC project in Moncrieff, CHC commenced development of more Land Rent properties in Throsby.

Throsby is a designated district of Gunghalin and is surrounded by pristine nature reserves with views to Black Mountain and the Brindabella Ranges. Throsby also enjoys an abundance of community space in playgrounds, walking and cycling paths and like Moncrieff is becoming a popular location of couples and young families to call home.

All 10 land rent properties have been completed with three tenant families moving along the housing continuum from affordable home rentals to affordable home ownership.

The Bradfield, Downer

37

new dwellings in Stage 1

70%

of dwellings sold

Stage 1

due for completion in November 2019

CHC's new community called "The Bradfield" is located in the much-loved inner north suburb of Downer. "The Bradfield" is located in close proximity to newly revived Downer shops, Dickson, Braddon and Canberra's city centre. Downer residents enjoy the ideal balance of being at the heart of an expanding city coupled with leafy suburban living.

"The Bradfield" site was originally part of the former Council for Scientific and Industrial Research (CS&IR) Dickson Experiment station, and was later used for the Downer Primary School. Through a sustained and extensive community consultation process with the Downer Community Association (DCA) and broader Downer community, various development parameters were agreed in relation to the redevelopment of the site, including maximum yield and height.

A development application has been approved for stages one and two:

- Stage one will include 37 two and three bedroom townhouses
- Stage two will include 123 one, two and three bedroom apartments.

Superbly designed by AMC Architecture, the team behind many award-winning Canberra developments, every inch of these homes are beautifully appointed with quality fixtures and fittings.

Stage 1 of the Downer development is due for completion in November 2019, with all townhouses to be sold on the open market.

CHC will retain access to a portion of the stage two apartments and stage three independent living units (subject to development application that is yet to be approved) to grow our portfolio of affordable rental properties.

Key features:

- Retention of the “Old School Courtyard” as an attractive asset to the development.
- Strong pedestrian linkages across the site connecting to Downer local shops and playing fields.
- Pitched roof forms align with the neighbouring remaining heritage-listed CS&IR Experiment Station buildings.
- Use of red brickwork, reminiscent of original Downer dwelling typologies.

COMMUNITY HOUSING CANBERRA LIMITED

(A company limited by guarantee)

ACN 081 354 752

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Contents to the Financial Statements

Corporate information

Company number	ACN: 081 354 752
Directors	C Alexander (Chair) P Green (Deputy Chair) C Moore J Divorty R Vassarotti C Wall P Carmody
Company Secretary	S Seesink (Resigned on 31 August 2018. Brent Iggo acting in the interim)
Registered Office	224/29 Braybrooke Street Bruce ACT 2617
Principal place of business	224/29 Braybrooke Street Bruce ACT 2617
Banker	Westpac Banking Corporation Cnr Badham St & Woolley St Dickson ACT 2602
Auditor	ACT Audit Office P O Box 275 Civic Square ACT 2608

Directors' qualifications, experience and special responsibilities

Name	Qualifications	Experience	Special responsibilities
Colin Alexander	OAM, BA (Acc), FCPA	Extensive corporate finance and accounting expertise and over 25 years' experience in the land development and construction industry. CEO of ASX listed CIC Australia Ltd since its founding in 1986 and retired in December 2015. Now consulting to Peet Limited (owner of CIC) on various development Boards, Chairman of the Canberra MBA Fidelity Fund, Board member of the ACT Property Council, Board member of the MBA Skills Centre Building Fund. CHC Board member since October 2009.	Chair Chair (Development Committee)
Paul Green	MG, BA, LLB (Hons)	Provides legal advice to property developers and major builders nationally and internationally on project delivery including structure, tax, acquisition, construction and financing. Previously managing partner of Meyer Vandenberg Lawyers following an initial 21 year career as an officer in the Australian Regular Army. Has previously lectured in Building and Construction Law at the University of Canberra. Board member of the Lidia Perin Foundation. Board member since October 2011.	Deputy Chair Member (Audit Committee) Member (Development Committee)
Richard Bear (resigned 7 December 2017)	BCom	Executive responsibility for financial management, information technology and human resource management. Currently an Independent Member of the ACT Government Procurement Board, and prior Assistant Secretary within the Department of Veterans Affairs, an Assistant General Manager of the Child Support Agency, and the General Manager, Development and Construction for Defence Housing Australia. Board member since May 2008.	Director Member (Audit Committee) Member (Development Committee)
Cathi Moore	BA (Soc Sci)	Extensive experience in public administration, both in the social policy and program management areas and has a wide range of experience in the community sector. 10 years at the Senior Executive Level managing a range of commercial and operational areas and reviewing the efficiency and effectiveness of government services in the former Commonwealth Department of Administrative Services (DAS). President Parentline ACT Inc. Board member since October 2007.	Director Chair (Audit Committee) Member (Community Committee)
Rebecca Vassarotti	BA/MEnvLaw	Long term executive experience in the non-government sector. Currently works as an independent consultant and serving as a community member of the ACT Civil and Administrative Tribunal (on guardianship and energy and water matters). Prior work has included working at senior levels in national peak organisations, including the Australian Council of Social Service and Consumers Health Forum and leading the YWCA of Canberra, a locally based gender advocacy and community organisation. Prior to this was a senior officer in the ACT Government. Previous Government appointments have included the National Implementation Panel to Reduce Violence Against Women and Children, the ACT Portable Long Service Leave Board and the Government Delegation to the 2013 United Nations Commission for the Status of Women. Board member since November 2013.	Director Chair (Community Committee)
Clare Wall	B Ec, Dip Rec. Pl, M Pub Pol.	Currently working as an Associate and Partner with consultancy firm, SGS Economics and Planning. Has previously worked as Branch Head - Housing Policy, for the Commonwealth Government, and in senior housing and planning roles for the ACT Government. Recently completed training in Crime Prevention through Environmental Design. Is a member of the Planning Institute of Australia, and has a particular interest in housing, economic development, social planning and active recreation. Board Member since August 2015	Director Member (Community Committee)

Directors' qualifications, experience and special responsibilities - continued

Name	Qualifications	Experience	Special responsibilities
Paul Carmody	BA Admin	Has worked as senior executive in the Commonwealth Department of Health, National Capital Authority, Deputy Director General Health Infrastructure in the ACT Health Directorate and as General Manager for Hindmarsh Pty Limited. Paul has extensive experience in the ACT Construction and Property industries and has a particular interest in residential planning, building design, housing affordability and the use of renewable energy.	Director Member (Development Committee)
Jill Divorty	B.Bus(Acctg&Fin), MBA, FCPA, GAICD.	Has had extensive experience in both federal and state level public sector, with a focus on large scale procurement and project management, finance and accounting, and residential housing management. Jill has held senior executive level positions with Defence Housing Australia, National Blood Authority and as Head of ACT Shared Services Centre.	Director Member (Audit Committee) Chair (Finance Committee)

Directors' report for the financial year ended 30 June 2018

The Directors present this report to the members of Community Housing Canberra Limited ("the Company") for the year ended 30 June 2018 and the auditor's report thereon.

Directors

The Directors of the Company during the 2017-18 financial year and to the date of this report are:

	Date Appointed	Date Ceased	Directors' Meetings A	Directors' Meetings B	Audit A	Audit B
Mr Colin Alexander (Chair)	30-Oct-09	-	10	13	-	-
Mr Paul Green (Deputy Chair)	30-Oct-11	-	11	13	7	7
Ms Cathi Moore	30-Oct-07	-	12	13	6	7
Mr Richard Bear	27-May-08	07-12-17	5	5	2	7
Ms Rebecca Vassarotti	26-Nov-13	-	8	13	-	-
Ms Clare Wall	08-Sep-15	-	11	13	-	-
Mr Paul Carmody	02-Aug-16	-	11	13	-	-
Ms Jill Divorty	07-Dec-17	-	6	6	3	7

A Number of meetings attended
B Number of meetings held during the time the Director held office during year

Mr Stephen Seesink was the Company Secretary for the full year ended 30 June 2018 and he resigned on 31 August 2018. Brent Iggo is acting Company Secretary in the interim. KPMG, Sydney, is the Company's Australian Charities and Not-for-profit Commission (ACNC) agent.

Details of Directors' qualifications, experience and special responsibilities can be found on page 8 of this report.

Directors' Interests and Benefits

Mr Paul Green is the Practice Director of Professional Engagement Group Pty Ltd which was engaged during the financial year to provide legal advice for the Company on project development matters totalling $2,119 (2017: $16,380).

Other than the engagement mentioned above, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors or other key management personnel transactions shown in the financial statements at Note 23) by reason of a contract made by the Company or a related Company with a Director or with a firm of which the Director is a member, or with a Company in which he/she has a substantial financial interest. The Company's Directors are remunerated in conjunction with acting in their capacity as a Director.

Environmental Regulations

The Company's development and asset management activities are subject to environmental regulations under both Commonwealth and Territory regulations. The Company aims to achieve a high standard in environmental matters. The Directors have not received notification nor are they aware of any breaches of environmental laws by the Company.

Short and Long Term Objectives and Strategies

During the 2017-18 financial year, the Company undertook a review of its strategic direction, culminating in the Board's endorsement of a new Strategic Plan 2018-2022. As part of the Strategic Plan, the Vision, Mission and Values were reset as follows:

Vision: *Safe and secure homes in strong communities*

Mission: *Provide affordable homes, principally for rent, to individuals and families*

Values: *Customer Centric, Authentic, Collaborative, Innovative and Continuous Improvement*

The following strategic goals were also agreed, each with associated strategic targets

1. Financially sustainable business model – to achieve positive underlying net surplus and cash flow by 2020;
2. Increased tenant experience – Top quartile tenant satisfaction; and
3. Increased impact – 2000 tenants by 2022 in appropriate, safe and secure homes, with $30 million direct rental subsidy to tenants by 2022.

Directors' Report for the Financial Year Ended 30 June 2018 - continued

The Company's strategies for achieving these strategic goals include: delivering cost reduction and operational excellence, aligning operating model and capital structure with the new strategy, securing ACT Government financial and other support, delivering systems transformation to support growth, growing portfolio of third party owned homes under management, pursuing targeted new developments and partnerships and making CHC a great place to work.

The Company maintains a robust governance and risk framework including a compliance program that helps provide assurance with respect to compliance with the requirements of a Charity and Public Benevolent Institution, and other legislation and regulations relevant to the Company's Business activities.

Principal Activities

The Company's principal activities undertaken during the financial year to achieve its objectives and strategies include:

1. Providing rental rebates to Rebated Rent and Affordable Rent tenants in existing stock;
2. Providing rental rebates to National Rental Affordability Scheme (NRAS) tenants in existing stock;
3. Increasing the supply of affordable housing properties available for sale through a targeted development program;
4. Continuing to refurbish and redevelop transferred stock to improve the standard of that stock;
5. Increasing the supply of affordable housing properties available for rent by eligible applicants through the capital works program;
6. Increasing the supply of affordable housing properties available for purchase by eligible applicants under the ACT Government's Land Rent Scheme (LRS) through the Company's development of 33 properties on land rent blacks at Moncrieff (targeted completion November 2018) and 10 properties in Throsby (completed September 2018).
7. Administering the NRAS non-entity joint venture (NEJV) product, which provides for NRAS incentives to be allocated to properties not owned by the Company, thereby allowing these properties to be rented to qualifying tenants at 80% of market rent;
8. Delivery of 2 4-bedroom and 1 5-bedroom specialist group homes in Kambah;
9. Finalising design and planning works for construction of townhouses, apartments and independent living units, including a number to be made available as affordable rental properties in the suburb of Downer;
10. Undertaking design and planning works for construction of up to ten specialist disability homes in Kambah and Macgregor to be retained by the Company and made available for rent to eligible tenants; and
11. Establishing a Finance Committee to provide oversight over the operational finance function of the Company.

In the opinion of the Directors, there were no significant changes in the nature of the Company's activities during the year.

Performance measures

The Company's primary performance measure reflects its mission to provide affordable housing, for both sale and rent, to people on low to moderate incomes. During the 2017-18 financial year, a total of 449 tenancies were supported, with a total rental subsidy of $3.1 million (2017: $2.9 million) provided by the Company. The Company continues to provide both a Rebated Rent model (25% of household income plus Commonwealth Rental Assistance) and an Affordable Rent model (74.9% of market rent). In respect of the latter, the Company continued to support its affordable property portfolio by accessing the ACT Government's Land Rent Scheme and the Commonwealth Government's National Rental Affordability Scheme. Rebates were provided during 2017-18 as follows:

Tenancy model	**2017-18 $**	**2017-18 Tenantable areas**
Rebated Rental Rebate	1,089,830	88
Affordable Rental Rebate	1,995,288	361
Total Rebate	**3,085,118**	**449**

Furthermore, the Company measures performance through the monitoring of targets across its operations, including in relation to the number of affordable dwellings for rent and for sale and renewal of existing housing stock. The Company is committed to long-term financial viability and the development of appropriate risk management and asset management processes. The Company is also committed to ensuring compliance with national community housing and not-for-profit regulatory requirements.

Dividends and Members' Guarantee

The Company's constitution precludes the distribution of surplus funds to its members. In accordance with the Company's constitution, each member is liable to contribute $100 in the event that the Company is wound up. The total amount members would contribute is $1,500 (2017: $1,500).

Directors' Report for the Financial Year Ended 30 June 2018 - continued

Events Subsequent to Balance Date

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

Future Developments

The Company will continue to carry on the principal activities noted above, while also working towards identifying future opportunities to increase the supply of affordable housing for rent and sale.

Indemnification and Insurance of Officers and Auditors

Since the end of the previous financial year, the Company has paid insurance premiums of $16,349 (2017: $19,837) in respect of Directors' and officers' liability and legal expenses insurance contracts for current and former Directors and officers, including senior executives of the Company.

The insurance premiums relate to:

- costs and expenses that may be incurred by the relevant officers in defending proceedings whether civil or criminal brought against them in their capacity as officers of the Company and whatever the outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving willful breach of duty or improper use of information or position to gain a personal advantage.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses insurance contracts; as such disclosure is prohibited under the terms of the contract, confidentiality clause 12.14.

Auditor's Independence Declaration

The Auditor's independence declaration in accordance with s. 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 7 and forms part of the Directors' report for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors:

Cathi Moore

Paul Green
Deputy Chair

Cathi Moore
Director

Canberra 23 October 2018

Directors' declaration

In the opinion of the Directors of Community Housing Canberra Limited:

(a) the financial statements of the Company as set out on pages 10 to 37 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- giving a true and fair view of the financial position of the Company at 30 June 2018 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
- complying with Australian Accounting Standards – Reduced Disclosure Requirements and subsection 60.15 (2) of the *Australian and Not-for-profits Commission Regulations 2013*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors:

Cathi Moore

Paul Green
Deputy Chair

Cathi Moore
Director

Canberra 23 October 2018

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

Auditor's Independence Declaration under Section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*

To the Directors of Community Housing Canberra Limited

In relation to the audit of the financial statements of Community Housing Canberra Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* or any applicable code of professional conduct.

Yours sincerely

Ajay Sharma
Acting Auditor-General
18 October 2018

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

COMMUNITY HOUSING CANBERRA LIMITED

To the Members of Community Housing Canberra Limited

Audit opinion

I am providing an **unqualified audit opinion** on the financial statements of Community Housing Canberra Limited (the Company) for the year ended 30 June 2018. The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, accompanying notes and directors' declaration.

In my opinion the financial statements are in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the financial position of the Company at 30 June 2018, and its financial performance and its cash flows for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for the audit opinion

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial statements

The Directors of the Company are responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Company to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Responsibility for the audit of the financial statements

The Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial statements of the Company.

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As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statements and disclosures made in the financial statements;
- evaluated the overall presentation and content of the financial statements, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Directors of the Company; and
- assessed the going concern* basis of accounting used in the preparation of the financial statements.

  (*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Company;
- adequacy of controls implemented by the Company; or
- integrity of the audited financial statements presented electronically or information hyperlinked to or from the financial statements. Assurance can only be provided for the printed copy of the audited financial statements.

Ajay Sharma
Acting Auditor-General
26 October 2018

Statement of comprehensive income

For the year ended 30 June 2018

	Note	2018 $	2017 $
INCOME			
Rental revenue	5 (a)	8,336,551	8,391,298
Development sales revenue	5 (b)	-	17,787,118
Management fees	5 (c)	55,243	33,941
Other income	5 (d)	304,991	33,916
TOTAL INCOME		**8,696,785**	**26,246,273**
EXPENSES			
Asset management expenses	6 (a)	(2,440,679)	(2,309,847)
Bad debts		(36,187)	(37,067)
Cost of developments sold	6 (b)	92,955	(17,199,353)
Development expenses	6 (c)	(6,734)	(58,531)
Administrative expenses	6 (d)	(844,137)	(1,117,212)
Depreciation and amortisation	6 (e)	(2,927,362)	(1,471,812)
Employee expenses	7	(2,185,118)	(2,414,004)
Net loss on disposal, transfer or impairment of assets	6 (f)	(14,195)	(9,923)
Selling expenses		(102,600)	(743,667)
TOTAL EXPENSES		**(8,464,057)**	**(25,361,416)**
Finance income	8 (a)	495,002	654,578
Finance expenses	8 (b)	(1,293,669)	(1,365,112)
NET FINANCE EXPENSE		**(798,666)**	**(710,534)**
NET (DEFICIT)/SURPLUS FOR THE PERIOD		**(565,938)**	**174,323**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Increase/(decrease) in the asset revaluation surplus	21	(68,148)	11,865,026
Items that may be reclassified subsequently to profit or loss			
Net changes in fair value of available for sale financial assets	21	-	(62,090)
Other comprehensive (loss)/income for the period		**(68,148)**	**11,802,936**
TOTAL COMPREHENSIVE (DEFICIT)/INCOME FOR THE PERIOD		**(634,086)**	**11,977,259**

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	10	17,793,527	25,312,311
Trade and other receivables	11	605,306	126,269
Inventory	12	7,987,044	415,272
Other assets	13	511,107	2,714,893
TOTAL CURRENT ASSETS		**26,896,984**	**28,568,745**
NON-CURRENT ASSETS			
Capital works in progress	14	1,401,264	2,243,086
Inventory	12	13,964,239	12,784,052
Property, plant and equipment	9	157,631,989	159,189,901
Intangible assets	16	48,046	48,836
TOTAL NON-CURRENT ASSETS		**173,045,538**	**174,265,875**
TOTAL ASSETS		**199,942,521**	**202,834,620**
CURRENT LIABILITIES			
Trade and other payables	17	1,174,539	771,435
Employee benefits	18	129,403	127,530
ACT Government loan	4	2,500,000	2,500,000
Interest-bearing debt	4	354,069	347,454
Other provisions	19	210,154	47,441
Other liabilities	20	212,033	218,330
TOTAL CURRENT LIABILITIES		**4,580,198**	**4,012,190**
NON- CURRENT LIABILITIES			
ACT Government loan	4	63,112,000	65,612,000
Interest-bearing debt	4	7,317,964	7,643,985
TOTAL NON-CURRENT LIABILITIES		**70,429,964**	**73,255,985**
TOTAL LIABILITIES		**75,010,162**	**77,268,175**
NET ASSETS		**124,932,359**	**125,566,445**
EQUITY			
Asset revaluation surplus	21	69,025,098	69,636,814
Retained earnings		55,907,261	55,929,631
TOTAL EQUITY		**124,932,359**	**125,566,445**

The statement of financial position is to be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2018

	Note	Retained Earnings $	Asset Revaluation Surplus $	Available-for-sale Financial Asset Surplus	Total Equity $
Opening balance at 1 July 2016		**55,755,308**	**57,771,788**	**62,090**	**113,589,186**
Net surplus for the period		174,323	-	-	174,323
Other comprehensive income					
Revaluation of land and buildings	21	-	11,865,026	-	11,865,026
Revaluation of available-for-sale financial assets		-	-	(62,090)	(62,090)
Total comprehensive income / (deficit) for the period		**174,323**	**11,865,026**	**(62,090)**	**11,977,259**
Closing balance at 30 June 2017		**55,929,631**	**69,636,814**	**-**	**125,566,445**

	Note	Retained Earnings $	Asset Revaluation Surplus $	Total Equity $
Opening balance at 1 July 2017		**55,929,631**	**69,636,814**	**125,566,445**
Net (deficit)/surplus for the period		(565,938)	-	(565,938)
Other comprehensive income				
Impairment loss of land and buildings	21		(231,155)	(231,155)
Revaluation of land and buildings	21	-	163,007	163,007
Total comprehensive (deficit) for the period		**(565,938)**	**(68,148)**	**(634,086)**
Transfer of revaluation increment for assets disposed of	21	543,568	(543,568)	-
Closing balance at 30 June 2018		**55,907,261**	**69,025,098**	**124,932,359**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

Statement of cash flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash receipts from customers		10,539,660	8,722,310
Cash payments to suppliers and employees		(5,087,549)	(7,961,403)
Interest and dividends received		495,002	654,578
Interest paid		(1,594,654)	(1,622,358)
Proceeds from the sale of inventory and properties		-	17,770,357
Construction of inventory and new properties		(9,325,746)	(19,230,123)
Goods and Services Tax collected from customers		30,925	1,586,639
Goods and Services Tax input tax credits paid to/received from the Australian Taxation Office		843,354	(1,108,326)
Goods and Services Tax paid to suppliers		(1,028,677)	(1,007,707))
Net cash (used in) / provided by operating activities		**(5,127,685)**	**(2,196,033)**
Cash flows from investing activities			
Payments for intangible assets		(294,177)	(33,126)
Payments for plant and equipment		(102,819)	(429,592)
Proceeds from the disposal of property, plant and equipment		825,300	-
Net cash (used in)/provided from investing activities		**428,304**	**(462,718)**
Cash flows from financing activities			
Repayment of loans		(2,819,403)	(335,775)
Net cash (used in) financing activities		**(2,819,403)**	**(335,775)**
Net (decrease) / increase in cash and cash equivalents		(7,518,784)	(2,994,526)
Cash and cash equivalents at the beginning of the year		25,312,311	28,306,837
Cash and cash equivalents at the end of the year	10	**17,793,527**	**25,312,311**

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2018

1 Corporate information

The financial statements of Community Housing Canberra Ltd (the Company) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 23 October 2018.

2 Summary of accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Interpretations) issued by the Australian Accounting Standards Board (AASB), and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for the purposes of preparing the financial statements.

Historical cost convention
The financial statements are prepared on the basis of historical costs except for the following:

- land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses; and
- available for sale financial assets (investments in equity instruments) are measured at fair value.

The methods used to measure the fair value of these assets are discussed in Note 3. The financial statements have been prepared on a going concern basis.

Functional and presentation currency
The financial statements are presented in Australian dollars.

(b) Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 2 (l)(iii) - Depreciation and amortisation
- Note 3 - Determination of fair values
- Note 15 - Investments in available-for-sale equity instruments

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

(c) Changes in accounting policies

There were no changes to the Company's accounting policies during the year ended 30 June 2018.

(d) Revenue recognition

Revenue is recognised when the Company is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenue is recorded net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office (ATO).

Rental revenue comprises the revenue earned from the provision of community and affordable housing to entities outside the Company. Rental revenue is recorded when the fee in respect of services falls due, which is typically on a fortnightly basis, in advance of the provision of housing.

Development sales revenue, from the sale of land and building arising from development activities, is recognised on the date of settlement, net of any rebates or discounts.

Notes to the financial statements - continued

2. Summary of accounting policies - continued

(d) Revenue recognition - continued

Sale of property, plant and equipment proceeds are included as revenue when the significant risks and rewards of ownership have been transferred to the buyer, usually when settlement occurs. The gain or loss on disposal of property is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal and is recognised upon settlement of net proceeds.

Other income includes **insurance** claims, which are recognised when received or receivable, are in respect of a number of insurance events, which occurred during the year and also includes **imputation tax credits,** which is recorded when the right to the refund arises, being the year in which the dividends to which the imputation credits relate are received. As the Company is exempt from income tax (see Note 2(s)) any imputation credits received cannot be applied against current or future income tax liabilities and are therefore refundable to the Company from the Australian Taxation Office.

(e) Expenses

Expenses are accounted for on an accruals basis reflecting the terms upon which the goods or services are purchased.

(f) Finance income and finance expenses

Finance income comprises: interest income which is recorded in the statement of comprehensive income using the effective interest method; and dividend income, which is recorded in the statement of comprehensive income when the Company's right to receive payment is established.

Finance expenses comprise: interest expense on borrowings, which is recorded in the statement of comprehensive income using the effective interest method.

(g) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and cash at bank. Cash flows from operating activities are reported using the direct method which requires major classes of gross cash receipts and gross payments to be disclosed.

(h) Trade and other receivables

Trade receivables arise in the normal course of providing goods and services. Normal terms of settlement vary from seven to 60 days. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Allowance for impairment of receivables is assessed based on objective evidence and a review of overdue balances, taking into account debts more than 90 days overdue, the amount of individual debts and financial circumstances of those debtors, and any active recovery arrangements in place.

(i) Inventory

Inventory relates to costs of developments in progress that will be sold on completion to external parties. These costs include land and construction costs and borrowing costs associated with the developments. The Company capitalises borrowing costs incurred on acquiring, constructing, or producing its inventory.

Inventory is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Works in progress costs for inventory projects are recognised when it is probable that the future economic benefits embodied within the project will flow to the Company. Inventory is classified as a current asset when it is expected to be sold within one year and is differentiated between work in progress (under construction) and available for sale.

(j) Assets held for sale

Assets held for sale are assets that are available for immediate sale in their present condition, and their sale is highly probable. These assets are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recorded for any initial or subsequent write down of the asset to fair value less cost to sell. Assets held for sale are not depreciated.

Notes to the financial statements - continued

2. Summary of accounting policies - continued

(k) Capital works in progress

Capital works in progress are projects that have been designated for retention by the Company on completion. The cost of self-constructed assets includes the cost of materials, direct costs for consultants, where relevant, the costs of dismantling and removing items and restoring the site on which they are located, and statutory costs applicable in the asset being fit for use. The Company capitalises borrowing costs incurred on acquiring, constructing, or producing its capital works in progress.

Costs of capital works in progress are capitalised when it is probable that the future economic benefits embodied within the project will flow to the Company.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, including improvements, are initially measured at cost. After initial recognition plant and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses, while land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses.

Any property, plant and equipment donated to the Company or acquired for nominal cost is recorded at fair value at the date the Company obtains control of the assets.

Land purchased for development (which is not intended to be sold) is carried at cost under capital works in progress until completion of the capital works development.

Property, plant and equipment with a minimum value of $1,000 is capitalised.

(ii) Revaluation of land and buildings

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is 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. Fair value is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets. Fair values are determined by independent valuations which are obtained with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the reporting date. The Company has adopted a policy of external independent revaluation of its housing portfolio every two years.

Land and buildings are treated as a class of assets. When the carrying amount of this class of assets is increased as a result of a revaluation, the increase is credited directly to the asset revaluation surplus, except where it reverses a revaluation decrement previously recognised in the statement of comprehensive income. When there is a reversal of a previous revaluation decrement through the statement of comprehensive income, the amount is credited to the statement of comprehensive income. When the carrying amount of land and buildings is decreased as a result of a revaluation, the decrease is recognised against the available asset revaluation surplus. Where no asset revaluation surplus exists, the decrease is recognised in the statement of comprehensive income.

Notes to the financial statements - continued

2. Summary of accounting policies - continued

(l) Property, plant and equipment - continued

(iii) Depreciation

Items of property, plant and equipment (other than land) are depreciated over their useful lives to the Company commencing from the time the asset is held ready for use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	2018 Years	2017 Years
Buildings	20-43	62.5
Plant and Equipment		
-Computers	3	3
-Motor vehicles	5-6	5-6
-Office fit out	10	10
-Equipment	5	5
-Furniture and fittings	10	10

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

A review of estimated useful lives was conducted as part of the valuation of all of the Company's land and buildings in 2016-17. The Company applied changes to the estimated remaining useful lives for its buildings in 2017-18 in line with property valuations completed at 30 June 2017. The impact of the changes in estimated useful lives is approximately $1.4 million increase in depreciation expense for the 2017-18 financial year.

(iv) Amortisation

Amortisation is based on the cost of an intangible asset less its residual value. Amortisation is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation rates, methods and useful lives are reviewed at each reporting date and adjusted if appropriate. The useful life of intangible assets has been assessed for 2017-18 as 4 years (2016-17: 4 years).

(v) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal, when the item is no longer used in the operations of the Company or when it has no sale value. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised. Any part of the asset revaluation surplus attributable to the asset disposed of or derecognised is transferred to retained earnings at the date of disposal.

(m) Financial assets and liabilities

(i) Investments in available-for-sale equity instruments

Investments in available-for-sale equity instruments are those financial assets that are designated as available-for-sale and are measured at fair value. Gains or losses on these investments are included in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to statement of comprehensive income.

For investments with no active market, valuation techniques are used to assess fair value, which include consideration of future cash flows and market conditions and other factors that are likely to affect the instrument's fair value, including interest rates, credit risk and volatility. The Company has one such investment, being the 5% shareholding in Crace Developments Pty Ltd (see also Note 3 (b)). However, it was fully impaired in 2016-17.

(ii) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. Trade payables are unsecured, non-interest bearing and are normally settled in accordance with the terms of the purchase. Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements - continued

2. Summary of accounting policies - continued

(n) Employee benefits

Employee benefits comprise wages and salaries, annual and long service leave, and contributions to superannuation.

(i) Short term benefits

Liabilities for employee entitlements to wages, salaries, superannuation and annual leave that are expected to be settled wholly within 12 months of the reporting date are measured at undiscounted amounts based on remuneration rates the

Company expects to pay when the obligation is settled.

(ii) Long term benefits

The Company's obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to estimate its present value.

Provisions for employee benefits payable after 12 months from the reporting date are estimated based on future wage and salary levels, experience of employee departures, and periods of service, as disclosed in Note 18.

Long service leave: the long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of seven years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave.

Long service leave benefits are recognised as either current or non-current liabilities based on whether they are payable within or after 12 months from the reporting date.

(iii) Superannuation

Employees are subject to the Superannuation Choice arrangements. The Company's default fund is AustralianSuper. Employees who choose to join AustralianSuper or other eligible funds have a superannuation guarantee contribution paid into their nominated funds. Contributions are recognised as an expense in the statement of comprehensive income when they are due.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are recognised in relation to construction projects where the Company is contractually allowed to withhold part of the payment of construction costs, up to a pre-agreed amount, as recourse in the event of unsatisfactory completion of works. Upon satisfactory completion of works, payment is made and the provisions are reversed.

(p) Loans and borrowings

Loans and borrowings represent financial liabilities incurred by the Company, which are initially recognised at fair value and subsequently measured at amortised cost.

Notes to the financial statements - continued

2. Summary of accounting policies - continued

(r) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recorded as an expense in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is recorded in the statement of comprehensive income.

In assessing impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(ii) Non-financial assets

The Company, at each reporting date, assesses whether there is an indication that its non-financial assets (property, plant and equipment, intangible assets and capital works in progress) are impaired, with recoverable amounts being estimates when events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. If the asset is recorded at fair value, in which case it is recorded as other comprehensive income and treated as a revaluation decrease

An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced, if the Company was deprived of it. The recoverable amount is the greater of the fair value less costs to sell and value in use.

For plant and equipment, intangible assets and capital works in progress, an impairment loss is recorded in the statement of comprehensive income. However, as land and buildings are measured at fair value, impairment loses are recorded directly in the asset revaluation surplus. Where the impairment loss exceeds the balance of the asset revaluation surplus for that class of assets, the difference is recognised as an expense in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. At 30 June 2018, there were two properties assessed as impaired.

Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each reporting date.

(s) Taxation

Income Tax
Under the provisions of Section 50-5, income 1.1 of the *Income Tax Assessment Act 1997* as amended, the Company is exempt from income tax and currently no tax provision has been provided for in the financial statements. This income tax exemption is reviewable by the Australian Taxation Office (ATO) from time to time and was endorsed in March 2007. The Company holds deductible gift recipient status.

Goods and services tax (GST)
Revenue, expenses and assets are recorded net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are recorded inclusive of GST. The net amount of GST recoverable from or payable to the ATO is included as part of receivables or payables.

The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3 Determination of fair values

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

(a) Non-financial assets - property, plant and equipment

The fair value of property (land and buildings) is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets.

In accordance with Company policy, a revaluation of the entire class of land and buildings occurs every two years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Valuations are conducted by an external independent qualified valuer. The last valuation was conducted effective 30 June 2017.

The following table discloses non-financial assets measured at fair value:

Fair value measurement of non-financial assets

Property, plant and equipment	**2018 $**	**2017 $**
Net fair value of land and buildings	**156,829,618**	**158,264,000**

(b) Financial assets - investments in available-for-sale equity instruments

Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets. Fair values for financial assets not quoted in an active market are determined using the income approach valuation technique, including discounting future cash flow and other methods that are consistent with accepted economic methodologies for pricing financial assets.

The Company has one such investment, being its Crace Developments Pty Ltd shareholding. This investment does not have a quoted market price in an active market. As such the Company has based its assessment of fair value on: general economic conditions, including interest rates; risk and volatility associated with the investment, in particular the performance of construction and development activities and demand for residential occupancies in the ACT; and whether there is any significant evidence since the last reporting date that would materially affect the fair value of the shareholding. Based on a review of the factors outlined above, including future cash inflows associated with the investment and the financial position of Crace Developments Pty Ltd, the Company has assessed the fair value as nil as it is currently winding up. See also Note 15.

The following table discloses financial assets measured at fair value on a recurring basis at 30 June 2018:

Fair value measurement of financial assets

Assets	**2018 $**	**2017 $**
Net fair value of investments in available-for-sale equity instruments	**-**	**-**

Notes to the financial statements - continued

4 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings which are measured at amortised cost.

Loans	2018 $	2017 $
Current		
- ACT Government loan	2,500,000	2,500,000
- Beyond Bank (formerly Community CPS) loan	354,069	347,454
Total current loans	**2,854,069**	**2,847,454**

Loans	2018 $	2017 $
Non-current		
- ACT Government loan	63,112,000	65,612,000
- Beyond Bank (formerly Community CPS) loan	7,317,964	7,643,985
Total non-current	**70,429,964**	**73,255,985**
Total loans	**73,284,033**	**76,103,439**

The ACT Government loan consists of a $50 million loan facility and a $20 million loan facility both made available at the 90-day bank bill swap rate on the first day of each quarter. The facilities are subject to quarterly interest only repayments for ten years. The Company began principal repayments in 2017-18 on the $50 million loan facility. Total interest incurred for the financial year was $1,223,077 (2017: $1,241,467). Of this amount, $300,985 (2017: $257,246), being approximately 24.6% (2017: 20.7%) of the interest incurred, has been capitalised to inventory and capital works in progress.

The Beyond Bank (formerly Community CPS) loans represent 69 principal and interest mortgages relating to Land Rent Scheme properties, which are repayable over 25 year terms. Interest costs for the year were $371,576 (2017: $380,891).

Notes to the financial statements - continued

4. Loans and borrowings - continued

(a) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

		2018 $	2017 $
Total facilities:			
- ACT Government facility (4.02.08)		*50,000,000*	*50,000,000*
- ACT Government facility (28.06.11)		*20,000,000*	*20,000,000*
- ACT Government facility total		70,000,000	70,000,000
- Beyond Bank (formerly Community CPS)		12,635,943	12,635,943
Total facilities		**82,635,943**	**82,635,943**
Facilities used at reporting date:			
- ACT Government loans (4.02.08)		*47,500,000*	*50,000,000*
- ACT Government loans (28.06.11)		*18,112,000*	*18,112,000*
- ACT Government loans total		65,612,000	68,112,000
- Beyond Bank (formerly Community CPS)		7,672,033	7,991,439
Total facilities used		**73,284,033**	**76,103,439**
Facilities unused at reporting date:			
- ACT Government facility (28.06.11)		*4,388,000*	*1,888,000*
- ACT Government facility total		4,388,000	1,888,000
- Beyond Bank (formerly Community CPS)		4,963,910	4,644,504
Total facilities unused	i	**9,351,910**	**6,532,504**

i. Facilities unused are not available for redraw.

ACT Government Loans – 4 February 2008 and 28 June 2011

The terms and conditions of the ACT Government loans are set out in the Loan Agreements dated 4 February 2008 and 28 June 2011 respectively, between the parties, Australian Capital Territory and Community Housing Canberra Limited. The loan facilities are to be used only for one or more of the permitted purposes as specified in the loan agreements and are secured by mortgages to the ACT Government over $75 million worth of property assets.

Beyond Bank (formerly Community CPS)

69 of the Company's Land Rent Scheme properties are partially funded via commercial facilities with Beyond Bank (formerly Community CPS) and are held as security for the loan facilities. These are principal and interest mortgages, repayable over a 25-year term.

(b) Banker's undertakings

The Company has obtained the following banker's undertakings in the form of bankers' guarantees with Westpac Banking Corporation, which remain outstanding at 30 June 2018:

1. 25 June 2008, $6,000 to the Environment, Planning and Sustainable Development Directorate (EPSDD) – for verge works at the Forde development;
2. 9 December 2008, $19,000 to EPSDD – for verge works at The Edge development;
3. 30 June 2011, $6,000 to EPSDD – for infrastructure works at the Eclipse development; and
4. 1 February 2018, $53,400 to EPSDD - for Symphony Park Stage 3 development.

These are currently secured on the Company's interest bearing 60 day account. As at the report date, items 1, 2 and 3 are in the process of being cancelled by Westpac Banking Corporation.

Items held as security

Westpac Banking Corporation continues to hold 20 properties as security located at City Edge and Village Vue. This arrangement is currently being re-negotiated. The security is held to provide the Company with a quick line of credit when needed. As at 30 June 2018, there is no facility in place.

Notes to the financial statements - continued

5 Income

		2018 $	2017 $
(a) Rental revenue			
Public rebated rental income	i	839,524	839,740
Affordable housing rental income	ii	1,366,768	1,160,855
NRAS housing rental income *	iii	3,250,753	3,410,136
NRAS land rent housing rental income *	iv	2,804,616	2,915,963
Other rental income		74,890	64,604
Total Rental Revenue		**8,336,551**	**8,391,298**
(b) Development sales revenue			
Sales proceeds – Symphony Park stage 2	v	-	235,552
Sales proceeds – Symphony Park stage 3	v	-	14,071,714
Sales proceeds – Lawson 6	vi	-	3,463,091
Other development income	vii	-	16,761
Total Development Sales Revenue		**-**	**17,787,118**
(c) Management fees			
NRAS non-entity joint venture management fees	viii	32,963	33,941
Property Management – Fee for Service	ix	835	-
Strata Management	x	21,445	-
Total Management Fee Revenue		**55,243**	**33,941**
(d) Other income			
Refund of imputation credits from the Australian Taxation Office	xi	6,429	15,000
Membership		290	290
Recovery of costs from tenant related damage		2,430	2,421
Other income	xii	295,842	16,205
Total Other Income		**304,991**	**33,916**

** National Rental Affordability Scheme (NRAS)*

Income notes

i Public rebated rental income is based on tenancy agreements that assess 25% of household income plus Commonwealth Rental Assistance.

ii Affordable housing rental income is based on tenancy agreements that charge 74.9% of market rent. Market rent on the Company's housing portfolio is assessed annually by an independent certified valuer.

iii NRAS housing rental income is based on tenancy agreements that charge 74.9% of market rent and for which an annual subsidy is provided by the Department of Social Services (DSS). Market rent on the Company's housing portfolio is assessed annually by an independent certified valuer. The subsidy is indexed annually by the rental component of the CPI.

iv NRAS land rent housing rental income denotes revenue derived by using the Land Rent Scheme. The Scheme is an ACT Government initiative to increase access to affordable home ownership and was a recommendation of the Government's Affordable Housing Action Plan. The Company receives NRAS incentives for these properties and as such, discloses rental income separately.

v Sales proceeds reflects sales of the Symphony Park Stage 2 and Symphony Park Stage 3 Terraces in Harrison in 2016-17.

vi Sales proceeds from Lawson 6 development in 2016-17.

vii Other development income largely relates to interest earned on sale deposits held in 2016-2017.

viii NRAS non-entity joint venture (NEJV) management fees relate to fees charged by the Company to administer NRAS NEJV incentives allocated to properties not owned by the Company.

ix Property Management – Fee for Service relates to third party tenancy management agreements where the Company derives tenancy management fees on rent collected. This commenced in 2017-18.

x. In 2017-18, the Company also commenced deriving strata management fees on the management of unit plans.

xi. The Company received a refund of imputation credits from the Australian Taxation Office (ATO) in relation to the Crace Developments Pty 6Ltd dividend (see notes 2(d) and 8(a)).

xii Other income includes unclaimed tenant monies from prior years and insurance claims resulting from flood damage to the office and fire damage to one of the Company's property, which occurred in the financial year.

Notes to the financial statements - continued

6 Expenses

		2018	2017
		$	$
(a) Asset management expenses			
Asset management expenses	i	2,440,679	2,309,847
Total Asset Management Expenses		**2,440,679**	**2,309,847**
(b) Cost of developments sold			
Symphony Park stage 2	ii		177,686
Symphony Park stage 3	ii	(83,066)	14,165,650
Lawson 6	iii	(9,889)	2,856,017
Total Cost of Developments Sold		**(92,955)**	**17,199,353**
(c) Development expenses			
Other development expenses		6,734	58,531
Total Development Expenses		**6,734**	**58,531**
(d) Administrative expenses			
Directors fees		63,055	59,167
Information technology		71,094	76,598
Professional memberships and subscriptions		36,476	45,777
Motor vehicle expenses		37,294	43,756
Professional services	iv	153,563	219,741
Advertising, marketing and media	v	166,105	210,917
Other employee related costs	vi	103,235	211,803
Other administrative expenses	vii	213,315	249,453
Total Administrative Expenses		**844,137**	**1,117,212**
(e) Depreciation and amortisation			
Depreciation	9	2,901,136	1,463,630
Amortisation	16	26,226	8,182
Total Depreciation and Amortisation		**2,927,362**	**1,471,812**
(f) Net Loss on disposal, transfer or impairment of assets			
Gain on disposal of assets	viii	(131,859)	-
Loss on impairment of assets	ix	146,054	-
Loss on impairment of available for sale financial assets	x	-	9,923
Total Net Loss on Disposal, Transfer or Impairment of Assets		**14,195**	**9,923**

Expenses notes

i Relates to property expenses and repairs and maintenance work undertaken on affordable and rebated rental properties throughout the year.

ii. Relates to reversal of excess costs taken up for the Symphony Park Stage 3 project, which was completed in 2015-16.

iii. Relates to additional defect costs incurred in for Lawson 6 development which was completed in 2015-16 claimed against retention monies withheld.

iv. Relates to professional legal, consulting and accounting fees incurred over the year in relation to employee matters, development projects, financial reporting and operational processes. Also includes ACT Audit Office audit fees.

v. Reflects the costs associated with marketing and advertising costs for corporate, tenancy and community engagement.

vi. Relates to costs incurred for external recruitment agency services, staff training, travel allowances and uniforms.

vii. Other administrative expenses includes costs for office management, printing and stationery, entertainment and insurance premiums.

viii. Relates mainly to a gain on disposal of the 11 Scott Street property.

ix. Loss on disposal/impairment of IT system upgrade costs. Comprises $121,658 from Capital Work in Progress and $24,396 from Intangible Assets.

x. Loss on impairment of investment in Crace Development Pty Ltd in 2016-17 (see Note 15).

Notes to the financial statements - continued

7 Employee expenses

		2018 $	2017 $
Salaries and wages	i	1,921,858	2,250,098
Superannuation contributions		200,192	197,443
Provision for annual and long service leave		23,031	(49,444)
Other employee expenses		40,036	15,907
Total Employee Expenses		**2,185,118**	**2,414,004**

i As at 30 June 2018, the Company has 23 staff (2017: 26).

8 Finance income and finance expenses

(a) Finance income

		2018 $	2017 $
Interest earned on cash and cash equivalents		480,002	619,578
Dividends received	i	15,000	35,000
Total Finance Income		**495,002**	**654,578**

(b) Finance expenses

		2018 $	2017 $
Interest expense on ACT Government loans		922,092	984,222
Interest expense on Beyond Bank loans		371,577	380,890
Total Finance Expenses		**1,293,669**	**1,365,112**

i The Company has a shareholding in Crace Developments Pty Ltd (see Note 15), which declared one dividend during the 2017-18 financial year. The dividends were fully franked and the imputation credits are refundable to the Company (see Note 5(d)).

9 Property, plant and equipment

(a) Adjustment to fair value

In accordance with Company policy, independent accredited valuers, are engaged to determine the fair value of the Company's land and buildings every two years. Fair value is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets. The effective date of the current revaluation is 30 June 2017 and was performed by Jones Lang LaSalle (JLL). The fair value of all Company owned property following the revaluations is disclosed below as part of this note.

(b) Property, plant and equipment carrying amount

Carrying amount	TOTAL $
2017	
Cost or fair value	159,715,350
Less: Accumulated depreciation	(525,449)
Carrying amount at 30 June 2017	**159,189,901**
2018	
Cost or fair value	161,049,522
Less: Accumulated depreciation	(3,417,532)
Carrying amount at 30 June 2018	**157,631,989**

Notes to the financial statements - continued

9. Property, plant and equipment - continued

(b) Property, plant and equipment carrying amount - continued

The carrying amount of the land and building asset, which consists of four types of housing stock, and plant and equipment are as follows:

	2018 $	2017 $
Transferred land and buildings	29,567,000	31,872,000
Accumulated Depreciation	(381,656)	-
Carrying value –Transferred land and buildings	***29,185,344***	***31,872,000***
Non-transferred land and buildings	53,692,000	50,477,000
Accumulated Depreciation	(757,326)	-
Carrying value – Non transferred land and buildings	***52,934,674***	***50,477,000***
NRAS land and buildings	50,005,000	49,905,000
Accumulated Depreciation	(794,323)	-
Carrying value – NRAS land and buildings	***49,210,677***	***49,905,000***
Land Rent buildings	26,235,000	26,010,000
Accumulated Depreciation	(736,077)	-
Carrying value – Land Rent land and buildings	***25,498,923***	***26,010,000***
Total land and buildings	**156,829,618**	**158,264,000**
Plant and equipment	1,550,522	1,451,350
Accumulated Depreciation	(748,151)	(525,449)
Carrying value – Plant and Equipment	**802,371**	**925,901**
Total Property, Plant and Equipment	**157,631,989**	**159,189,901**

(c) Property, plant and equipment reconciliation to carrying amount

Reconciliation to carrying amount	*Land and Buildings at fair value*	*Plant and Equipment at cost*	*Total Property Plant and Equipment*
2018			
Carrying amount at 1 July 2017	**158,264,000**	**925,901**	**159,189,901**
Additions - Asset purchases	-	102,819	102,819
Additions – Transfers from capital works in progress	2,001,993	-	2,001,993
Impairment of land and buildings	(231,155)	-	(231,155)
Disposal of assets	(691,024)	(2,417)	(693,441)
Revaluation increment	163,008	-	163,008
Depreciation for the year	(2,677,203)	(223,933)	(2,901,136)
Balance at 30 June 2018	**156,829,618**	**802,371**	**157,631,989**

Notes to the financial statements - continued

10 Cash and cash equivalents

	2018 $	2017 $
Petty cash	500	500
Cash at bank	17,793,027	25,311,811
Total Cash and cash equivalents	**17,793,527**	**25,312,311**

11 Trade and other receivables

(a) Current

		2018 $	2017 $
Trade debtors	i	180,175	110,172
Less: Allowance for impairment losses		(30,000)	(23,773)
		150,175	86,399
Imputation credits refundable from the Australian Taxation Office		6,429	15,000
GST receivable		175,706	21,307
Insurance Claim receivable	ii	269,891	-
Other debtors		3,104	3,563
Total trade and other receivables		**605,306**	**126,269**

i Trade debtors is comprised of rent and non-rent charges from tenants of $180,175 (2016-17: $110,172) of which $42,342 (2016-17: $44,898) is considered overdue (30 days +).

ii. Insurance claim receivable relates to the insurance claim on 6 Peter Coppin Bonner, which burnt down in February 2018.

(b) Reconciliation of the carrying amounts for the allowance of impairment

	2018 $	2017 $
Carrying amount at the beginning of year	**(23,773)**	**(3,521)**
Reduction in allowance arising from write-off of unrecoverable debt	29,960	60
Additional allowance recognised	(36,187)	(20,312)
Carrying amount at the end of the year	**(30,000)**	**(23,773)**

12 Inventory

Current		2018 $	2017 $
Under construction			
Developments – construction costs	ii	7,588,844	397,272
Developments – land	ii	398,200	18,000
Total current inventory under construction		**7,987,044**	**415,272**
Non-current			
Under construction			
Developments – construction costs	iii	2,643,439	1,462,052
Developments – land	iii	11,320,800	11,322,000
Total non-current inventory under construction		**13,964,239**	**12,784,052**

i There were no properties available for sale as at 30 June 2018.
ii Current developments under construction relate to the Moncrieff and Throsby 10 land rent projects and 2 land and building projects at Moncrieff.
iii Non-current developments under construction relates to the Downer and remaining Throsby projects.

Notes to the financial statements - continued

13 Other assets

Current		2018 $	2017 $
Accrued income	i	345,248	2,554,312
Prepayments		165,859	160,581
Total current other assets		**511,107**	**2,714,893**

i 2016-17 Includes $2,546,011 relating to NRAS incentives which are acquitted annually to the Department of Social Services on a May to April basis. 2017-18 was acquitted prior to 30 June 2018.

14 Capital works in progress

(a) Capital work in progress

		2018 $	2017 $
IT System Upgrade	i	131,417	33,126
Developments – land and construction costs	ii	1,269,847	2,209,960
Total Non-current Capital work in progress		**1,401,264**	**2,243,086**

i The Company is currently undergoing an IT system upgrade, which commenced in 2016-17. Related project costs are capitalised. Prior year comparatives have been amended to reflect this change for completeness.
ii. As at 30 June 2018, the Company had commenced developments on multi-purpose residences in Kambah Stage 2 and the redevelopment of an existing property in Macgregor for retention as part of the affordable rental portfolio. Both projects are expected to be completed during the 2018-19 financial year.

(b) Reconciliation of capital work in progress carrying amounts

2017	Developments $	IT System Upgrade $	Total Capital Work in Progress $
Carrying amount at 1 July 2016	**8,390**	**-**	**8,390**
Additions	3,216,795	33,126	3,249,921
Transfers to property, plant and equipment and intangible assets	(1,015,225)	-	(1,015,225)
Carrying amount at 30 June 2017	**2,209,960**	**33,126**	**2,243,086**

2018	Developments $	IT System Upgrade $	Total Capital Work in Progress $
Carrying amount at 1 July 2017	**2,209,960**	**33,126**	**2,243,086**
Additions	1,061,879	269,781	1,331,660
Impairment of IT System Upgrade	-	(121,658)	(121,658)
Transfers to property, plant and equipment and intangible assets	(2,001,992)	(49,832)	(2,051,824)
Carrying amount at 30 June 2018	**1,269,847**	**131,417**	**1,401,264**

Notes to the financial statements - continued

15 Investments in available-for-sale equity instruments

	2018 $	2017 $
Shares – Crace Developments Pty Ltd at fair value	-	-
	-	**-**

Valuation of available-for-sale equity instruments

The investment is in Crace Developments Pty Ltd (Crace), a special purpose vehicle set up to manage the Crace Urban development. The Company used the audited financial statements of Crace at 30 June 2016 (30 June 2017 was not audited) as well as other factors likely to affect the value of the investment to determine whether any significant movements in the fair value of the investment had occurred. Based on a review of factors, including future cash inflows associated with the investment, the fair value was assessed as nil at 30 June 2017 being fully impaired as Crace is currently winding down. (see also Note 3 (b)).

16 Intangible assets

(a) Capital work in progress

		2018 $	2017 $
At cost		321,268	311,101
Less: Accumulated amortisation		(123,717)	(152,424)
Less: Accumulated impairment		(149,506)	(109,841)
Carrying amount at the end of the year	i	**48,046**	**48,836**

(b) Reconciliation of the carrying amounts for each intangible asset are set out below:

		2018 $	2017 $
Carrying amount at the beginning of year		**48,836**	**-**
Additions		49,832	57,018
Amortisation	6	(26,226)	(8,182)
Impairment		(24,396)	
Carrying amount at the end of the year		**48,046**	**48,836**

i Intangible assets reflects the implementation and software costs of a new IT system and includes MYOB EXO payroll software.

17 Trade and other payables

		2018 $	2017 $
Trade creditors		668,198	307,725
Accrued expenses	i	477,448	396,337
Pay as you go withholding (PAYG) payable to the Australian Taxation Office		28,892	67,373
Total Trade and other payables		**1,174,539**	**771,435**

i Accrued expenses largely relates to design and development costs for current projects and includes ACT Audit Office financial statement audit fees.

18 Employee benefits

Current		2018 $	2017 $
Annual leave		111,475	101,232
Long service leave		19,766	6,978
Employee superannuation and salary packaging liability		(1,838)	19,320
Total current employee benefits		**129,403**	**127,530**
Non-current			
Long service leave	i	-	-
Total non-current employee benefits		**-**	**-**

i No provision is made for employees with less than minimum period of qualifying service per Note 2(n)(iii) and the probility that these employees will reach the minimum period is considered to be nil (2017: Nil).

Notes to the financial statements - continued

19 Other provisions

(a) Other Provisions		2018 $	2017 $
Project Retention Provision	i	**210,154**	**47,441**

(b) Reconciliation of Provisions	2018 $	2017 $
Balance at the beginning of the year	**47,441**	**70,521**
Additions made during the year	183,304	12,181
Reductions due to payments made during the year	(20,591)	(35,261)
Balance at the end of the year	**210,154**	**47,441**

i Provisions made and used during the year relate to funds retained by the company against individual construction invoices, calculated as a percentage of total contract price on construction projects, which are held as recourse in the event of unsatisfactory completion of works. These funds are paid to the construction contractor upon reaching specified milestones following completion of the project, (see Note 2(o)).

20 Other liabilities

Revenue received in advance	2018 $	2017 $
Income received in advance	211,982	217,345
Other	51	985
Total other liabilities	**212,033**	**218,330**

Notes to the financial statements - continued

21 Equity

Asset revaluation surplus

	2018 $	2017 $
Balance at the beginning of the year	**69,636,814**	**57,771,788**
Disposals		
- Land and buildings	(543,568)	-
Total Disposals	(543,568)	-
Impairment Losses		
- Land and buildings	(231,155)	(116,153)
Total Impairment Losses	(231,155)	(116,153)
Revaluation increments on valuation adjustments of		
- Transferred land and buildings	-	2,699,194
- Non-transferred land and buildings	163,007	6,122,226
- NRAS land and buildings	-	1,821,286
- Land Rent buildings	-	1,338,473
Total revaluation increments on valuation adjustments	163,007	11,981,179
Balance at the end of the year	**69,025,098**	**69,636,814**

The asset revaluation surplus is used to record the increments and decrements in the value of each class of property, plant and equipment.

Available-for-sale financial asset surplus

	2018 $	2017 $
Balance at the beginning of the year	**-**	**62,090**
- Available for sale financial assets revaluations decrement	-	(62,090)
Balance at the end of the year	**-**	**-**

The available-for-sale financial asset surplus is used to record the increments and decrements in the value of investment.

22 Commitments and contingencies

(a) Capital expenditure commitments

At the reporting date, the Company has capital expenditure commitments totalling $4,118,576 (2017: $2,016,074). These commitments relate to:

Project	Cost Type	2018	2017
		$	$
Downer	Design & Consultancy	409,706	1,458,464
Kambah	Design & Consultancy	12,500	65,000
Moncrieff	Construction	3,000,149	-
Moncrieff	Design & Consultancy	161,533	45,460
Throsby	Construction	457,729	-
Throsby	Design & Consultancy	76,960	68,150
Moncrieff (Blk 7 Section 43)	Land Rent Lease conversion	-	210,000
Moncrieff (Blk 8 Section 43)	Land Rent Lease conversion	-	169,000
Total Capital Expenditure Commitments		**4,118,577**	**2,016,074**

As at the report date, no construction contract has been entered into for any other project.

23 Related parties and related party transactions

(a) Key management personnel

The following were key management personnel of the Company during the reporting period and unless otherwise stated were key management personnel for the entire period:

Non-executive Directors	Executive
Mr Colin Alexander (Chair)	Mr Paul Kane (Chief Executive Officer) (resigned 21 December 2017)
Mr Paul Green (Deputy Chair)	Mr Andrew Hannan (Chief Executive Officer) (appointed 4 December 2017)
Ms Cathi Moore	Mr Lindsay Hunter (General Manager, Developments) (resigned 15 January 2018)
Mr Richard Bear (resigned 7 December 2017)	Ms Lynette Daly (General Manager, Corporate Services) (resigned 25 January 2018)
Ms Rebecca Vassarotti	Ms Megan Ward (General Manager, Operations) (appointed 29 November 2016)
Ms Clare Wall	
Mr Alan Paul Carmody	
Ms Jill Divorty (appointed 7 December 2017)	
Mr Stephen Seesink (Company Secretary)	

Notes to the financial statements - continued

23 Related parties and related party transactions – continued

(b) Transactions with key management personnel

Directors of the Company received or accrued the following remuneration in conjunction with acting in their capacity as a Director of the Company:

Director	Director Related Entity	2018 $	2017 $
Mr Colin Alexander	Crace Developments Pty Ltd	10,950	10,950
Mr Paul Green	Professional Engagement Group Pty Ltd	5,000	5,000
Ms Cathi Moore		5,000	5,000
Mr Richard Bear		2,500	5,000
Ms Rebecca Vassarotti		5,000	4,583
Ms Clare Wall		5,000	5,000
Mr Alan Paul Carmody		5,000	4,583
Ms Jill Divorty (appointed Dec 2017)		4,234	-
Mr Stephen Seesink (Company Secretary)	Community Housing Industry Association (CHIA)	21,900	21,900
		64,584	**62,016**

In addition to salaries, the Company also provides salary sacrifice options to executives and contributes amounts to nominated superannuation funds.

(c) Key management personnel remuneration

	2018 $	2017 $
Short-term employment benefits	663,231	821,258
Post employement benefits (superannuation)	61,316	71,025
Total key management personnel remuneration	**724,547**	**892,283**

(d) Other key management personnel transactions with the Company

Investment in Crace Developments Pty Ltd
The Company was presented on the Board of Directors of Crace Developments Pty Ltd by Mr Richard Bear, who resigned on 7 December 2017. Mr Colin Alexander was the Chief Executive Officer of CIC Australia Ltd, (ceased 31 December 2015), an investor in Crace Developments Pty Ltd. Mr Colin Alexander is Chief Executive Officer of Alexander Management Services Pty Ltd who hold a consultancy agreement with Peet Ltd involving Development Committees and Boards on various CIC Australia Pty Ltd projects. CIC Australia Pty Ltd is a wholly-owned subsidiary of Peet Ltd. To ensure there is no conflict of interest arising from this directorship, Mr Colin Alexander is excluded from the Company's decision making process in relation to the investment in Crace Developments Pty Ltd.

Professional Engagement Group Pty Ltd
Mr Paul Green is the Practice Director of Professional Engagement Group Pty Ltd. Legal services were provided to Community Housing Canberra Ltd during the year regarding several development projects totalling $2,119 (2017: $16,380).

Community Housing Industry Association (CHIA)
Mr Seesink is the ACT Regional Director of the Community Housing Industry Association (CHIA) for the 2017-18 financial year. He was replaced by the Company's CEO, Andrew Hannan subsequent to the report date. CHIA is the peak organisation for Community Housing Providers across Australia and lobbies state and federal governments with respect to affordable housing outcomes for those most vulnerable in Australian society.

The Company is a current member of CHIA, and contributes an annual fee of $2,928 (2017: $2,298).

Notes to the financial statements - continued

24 Additional company information

Company limited by guarantee

The Company does not have share capital and in the event of winding up, the liability of members is limited to $100. If upon winding-up or dissolution of the Company there remains, after satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to nor distributed among the members of the Company, but shall be given or transferred to some other institution or Company having objects similar to the objects of the Company and whose Memorandum of Association or constitution shall prohibit the distribution of its or their income and property among its or their members to an extent at least as great as is imposed on the Company. Such institution or institutions are to be determined by the members of the Company at or before the time of the dissolution and in default thereof by application to the Supreme Court for determination.

At 30 June 2018 the number of members was 15 (2017: 15).

chc
20 YEARS

Homes for
the community

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