chc affordable housing
creating homes and communities

CHC AFFORDABLE HOUSING ANNUAL REPORT 2012

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CHC HIGHLIGHTS 2012

"Everyday I interact with CHC's clients and help them find a home to be proud to live in."

(Tanya, Tenancy Officer)

RENTAL REBATES TO ELIGIBLE TENANTS

$2.41m

SATISFACTION WITH HOUSING

84%

SURPLUS FOR REINVESTMENT

$3.2m

SATISFACTION WITH APPLICATION PROCESS

88%

PORTFOLIO INCREASE FROM 2011

73

TOTAL VALUE OF ASSETS

$178m

TOTAL NUMBER OF TENANTS

771

TENANCY ENGAGEMENT

2 Tenant Advisory Group Meetings

1 Tenant Survey

4 Tenant Newsletters

NUMBER OF PROPERTIES

326

MISSION & OBJECTIVES

"Being able to be part of a team that develops such wonderful homes has been amazing."

(Allison, Office Manager)

MISSION

To provide affordable housing for people on low to moderate incomes.

OBJECTIVES

Improve access to affordable housing

CHC will improve access to affordable housing by:

- increasing the supply of affordable rental properties;
- developing new strategies for the delivery of affordable housing; and
- developing quality affordable housing for sale to home buyers.

Create appropriate housing

CHC will seek to add to the supply of appropriate affordable housing by working collaboratively to:

- improve housing choice by including in development projects adaptable or accessible housing for rent or sale to people with disabilities;
- contribute to long term sustainability and operational affordability by the developing housing that promotes energy and water efficiency; and
- improve community capacity, by increasing housing diversity and locational distribution of affordable housing while maximising proximity to transport, employment, shopping, cultural and sporting facilities.

Improve service delivery

CHC will promote the engagement of customers and stakeholders by:

- improving the quality of housing provided to tenants through strategic asset management;
- establishing participatory processes; and
- developing community partnerships with other community organisations to assist in supporting tenants and improving social capital.

Develop the organisational capacity of CHC through efficient and appropriate corporate governance

CHC will ensure its policies and practices contribute to the long term viability of CHC as an independent not-for-profit organisation by:

- periodically reviewing its operations to ensure compliance with the requirements of a Charity and Public Benevolent Institution;
- continuing to meet its legislative obligations under the *Corporations Act 2001*, other relevant legislation and regulations and the governance requirements of the CHC constitution; and
- maintaining its registration as an affordable housing provider in the ACT.

VALUES

CHC is committed to providing a safe workplace, free from discrimination and harassment, and recognising the individual contributions of its staff members. CHC is also committed to high standards in its contractual relationships with builders, maintenance and other consultants, and importantly, the Organisation's property management and tenant responsibilities.

The values that guide CHC include:

- Ethical practice
- Respect
- Leadership
- Creativity
- Accountability
- Sustainability

CHAIRMAN'S REPORT

On behalf of the CHC Board, I am pleased to present the 2011/12 Annual Report of CHC Affordable Housing.

CHC's mission is to provide affordable housing for people on low to moderate incomes. This remains the key focus of the Board, management team and staff and is reflected by a year that yielded tangible outcomes in housing affordability, delivered through an innovative and pro-active approach towards residential development and tenancy management services.

It should be recognised from the outset, that our achievements have been delivered despite ongoing economic uncertainty and continuing pressure within the Canberra property market. Clearly, this success does not just happen – rather, it is the byproduct of rigorous and systematic forward planning and the careful adherence to a sound risk management framework.

Nevertheless, these challenges have added further complexity to the task of creating and maintaining a sustainable affordable housing model. The Board is cognisant of this fact, and has undertaken a robust, ongoing review of the Organisation's business plan and model, to ensure these assist CHC in: protecting the interests of all its stakeholders both now and into the future; providing a platform for sustainable growth in an uncertain economic climate; and continuing to meet the needs of its expanding customer base.

My predecessor has indicated on numerous occasions that the delivery of affordable housing is dependent upon a range of factors, which include:

- securing diversity and affordability in land supply;
- an orderly progression of developments;
- the successful management of risk;
- stability in economic conditions and market interest rates; and
- the continuation of housing demand.

I concur with this position, and would also add that CHC's continued success will be largely dependent on the development and retention of strong and enduring relationships with our stakeholders, in particular our staff, tenants, customers, suppliers and across all levels of government. Maintaining these relationships will require a continued focus from the Organisation – particularly in these uncertain times.

Affordable Housing Action Plan

The ACT Government's *Affordable Housing Action Plan (2007)* provides a framework for CHC to increase the supply of affordable housing for sale and rent to those on low and moderate income levels. The Plan also establishes a clear set of expectations against which to measure CHC's performance.

In line with forecasts set out at the beginning of the 2011/12 financial year, CHC has been able to increase the supply of affordable rental housing, with a total of 73 new affordable rental properties delivered in the suburbs of Crace, Bonner and Braddon.

The Organisation's ability to continue delivering this type of quality affordable rental product into the future relies heavily upon the timely delivery of land that is "build-ready". In this regard, CHC will continue to utilise and benefit from the ACT Government's Land Rent Scheme, which has to date assisted in accelerating the programming and delivery of CHC's exceptional rental accommodation.

The Organisation expends considerable effort on each and every aspect of its residential development projects.
Of particular note is the enduring focus on environmentally sustainable housing design and construction principles. Our aim is to deliver not just affordable dwellings from a price point perspective – but to ensure that the living costs of those dwellings are equally affordable. We believe we are achieving this and will continue to ensure that every affordable dwelling meets our high standards.

Whilst affordable sales continued to accrue across CHC's developments during the 2011/12 financial year, sales rates have slowed reflecting overall market conditions. CHC remains confident that its affordable sales targets will be achieved in the medium-term, and is enviably positioned with a pipeline of approved projects that will deliver further affordable outcomes for many Canberrans.

Financial Performance

CHC's financial rigour and due process are well-embedded across the Organisation. High ethical standards and strong corporate governance continue to be a focus of the Board, and the depth and

expertise of the Board's management experience is well complemented by a trusted and high-calibre management team.

The financial performance of the Organisation for the 2011/12 financial year is pleasing, and shows equity increasing by $5.2m to a total of $91.1m in addition to recording an operating surplus of $3.2m.

CHC also maintained a strong balance sheet and ample liquidity throughout the 2011/12 financial year. Our gearing at 30 June 2012 was 44.1 per cent measured by net debt to total tangible assets. This is below our target range, and we view our conservative gearing policy as being prudent at the current time given the challenges faced in the market place.

Further details of the Organisation's financial performance are provided later in this report.

Corporate Governance

As previously mentioned, the Board and management team apply a rigorous risk management approach to all that we do. CHC continued to comply with ISO 9001:2008 Quality Management Systems, and also maintained registration under the *Housing Assistance Act 2007* as a not-for-profit affordable housing provider.

The Board's sub-committees continued to add value to the business, making the best use of directors' expertise. This included the Audit Committee, which effectively oversees management's identification and control of risk.

Positioned For Future Growth

CHC is well-placed for the future and we will continue to capitalise on our position as one of Australia's leaders in affordable housing. Market conditions will create challenges, and our focus will be to ensure that we continue to position the Organisation to meet those challenges.

Over the next year, I see a number of key elements that will drive the business forward, including:

- an enhanced approach to partnering and sharing of risks and returns in our development activities;
- a measured expansion into locations that will give CHC the ability to deliver affordable outcomes within existing urban precincts. An example of this is the Downer renewal project, which will see CHC deliver a mixed-use development of similar quality and scale to its award-winning City Edge project; and
- further expansion of CHC's innovative and unique investment product delivered through the National Rental Affordability Scheme (NRAS), which provides CHC with a competitive advantage and will continue to be marketed to private investors as an alternative to mainstream investment products.

I would like to take this opportunity to recognise our former Chairman, Ross Barrett, for his contribution to CHC. It is a testament to his dedication to CHC that he has ensured a smooth succession of the Chairman's role.

I wish to also thank the Board, management and staff of CHC for their continued commitment to the Organisation and to its ongoing success.

Col Alexander

CEO'S REPORT

At the start of the financial year, CHC commenced construction of its most ambitious project to date – Eclipse at Bruce. Recognised as one of the largest residential developments undertaken by a not-for-profit in Australia, the project symbolises just how far CHC has progressed as an affordable housing provider.

The successful execution of such large-scale projects requires a sophisticated approach to development, including strong risk management processes, sound financial systems, and seamless coordination of human resources. In this regard, those skills have been confidently applied across the Eclipse project, with the development delivering a well-designed, functional and high-quality product.

Importantly, the project is delivering many affordable outcomes for live-in owners, tenants and investors. With respect to the investors, CHC has utilised the Federal Government's National Rental Affordability Scheme (NRAS) to create investment opportunities aimed at attracting property investors to participate in the provision of affordable rental accommodation. This is a first in the ACT, with the NRAS product being well-received by the market.

Clearly, our drive to become a leading affordable housing provider remains strong, with a continued focus on achieving our mission of providing affordable housing for people on low to moderate incomes. How we do this is equally important, with a clear and efficient process in place for continual improvement and innovation in everything we do.

CHC Highlights

Our Tenancy division continued to improve its tenancy management services, and undertook a comprehensive survey of CHC's tenants in order to gain a better insight into how we are performing, and importantly, how we can do things better.

The survey revealed many interesting statistics including who our tenants are; where they work; housing composition; and their housing situation prior to becoming a CHC client. The results are provided in more detail later in this report. One factor was clearly highlighted – we continue to change the lives of many Canberrans who otherwise struggle in the private rental market.

During the reporting period, CHC continued to provide rental subsidies to eligible tenants, with a total subsidy of $2.41m – an increase of $0.40m from the previous reporting period.

As previously discussed, our Development activities gained momentum with the commencement of the Eclipse project. Stage One is expected to be completed by October 2012, and will realise affordable outcomes from both a sale and rental perspective.

CHC continued delivery of its Land Rent product in the suburb of Bonner, with a total of 37 dwellings completed. Built by some of Canberra's leading builders, each home represents a focussed approach to design, energy efficiency and sustainability. A further 40 dwellings will be available for rental to eligible tenants by the first quarter of 2013.

The Organisation's take-out at Crace was completed during the reporting period, with the final 27 dwellings (out of 56) successfully delivered. CHC remains a Joint Venture partner in this master-planned suburb, which continues to provide additional affordable housing outcomes within the Gungahlin region.

Our Assets increased by 73 dwellings, equating to a total of 326 properties as at 30 June 2012. In light of recent changes to the Territory's planning laws, a detailed study of CHC's portfolio was undertaken in order to assess opportunities for redevelopment, particularly within existing urban areas. The study revealed several opportunities that may generate significant affordable outcomes through the renewal of CHC's older housing stock. A Redevelopment Model is provided within the Asset Section of this Report.

Future Outcomes

Despite the uncertainty within Canberra's residential market (and more broadly) CHC continues to achieve results which reflect a continuing, albeit slower, demand for well-located, functional housing. CHC is mindful of potential further softening in the market, and will closely monitor the situation over the short to medium term.

Affordability remains, and is likely to remain, a key issue for all levels of government. CHC will continue to work with its stakeholders to ensure that CHC is well-placed to continue its mission and objectives.

I would like to thank the CHC team. Your continued support and drive are highly valued and contribute significantly to the Organisation.

Craig Brennan

BOARD OF DIRECTORS

CHC is fortunate to have a strong and competent Board with each member elected as a result of a commitment to, and an understanding of, CHC's mission and objectives.

The appointment of individual Directors is within the following expertise profiles as outlined in CHC's Constitution:

- housing development and procurement;
- asset management;
- social housing management;
- community development;
- social policy development;
- law;
- accounting; and
- corporate finance.

The Chair, Deputy Chair and one other Director are appointed by the ACT Government.

The Chief Executive Officer is an ex-officio member of the Board and attends all CHC Committees.

Colin Alexander Chair *OAM BA (Acc), FCPA*

Extensive corporate finance and accounting expertise and over 20 years' experience in the land development and construction industry. CEO of CIC Australia Ltd since its founding in 1986, Chairman of the Canberra MBA Fidelity Fund, Board member of the ACT Property Council, Council member of the Canberra Business Council and Board member of the MBA Skills Centre Building Fund. Board member since October 2009.

Cathi Moore Deputy Chair, Audit Committee Chair, Community Committee Member *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). Member of Marymead Board. Board member since October 2007.

Richard Bear Audit Committee Deputy Chair *BCom*

Executive expertise in financial management, information technology and human resource management. 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.

Paul Green *MG, BA, LLB (Hons)*

Advises property developers and major builders nationally and internationally on project delivery including structure, tax acquisition, construction and financing. Previously managing partner of Meyer Vandenberg from 2005 and Meyer Clapham from 1996 following an initial 21 year career as an officer in the Australian Regular Army. Lecturer in Building and Construction Law at the University of Canberra. Board member of Blue Gum School and the Lidia Perin Foundation. Board member since October 2011.

Ken Horsham *FAIM, Grad Dip (Architecture)*

Housing, planning and development consultant with urban development and urban management experience. Prior housing policy advisor with the Australian Government, ACT Commissioner for Housing and General Manager ACT Housing and Community Services Bureau. Chair of Northside Community Service. Board member since January 1998.

Tania Parkes Community Committee Member *PhD (Literature)*

Principal of Tania Parkes Consulting. Social planner with 15 years' experience in consultation, research, evaluation and in facilitating residential and commercial property developments for government, non-government and private sectors. Previously a senior government official for over 13 years working in social policy portfolios. Board member since June 2007.

Kim Werner Community Committee Chair *BA/LLB Grad Dip (Population Health)*

Executive experience in the non-government sector and former accredited Mediator and Facilitator. Previous appointments include Manager, Women's Centre for Health Matter Inc, Deputy Director, Toora Women Inc, and Governance and Planning Manager, Secretariat of National Aboriginal and Islander Child Care Inc. Currently holds the position of Deputy Chair, Private Mental Health Consumer Carer Network (Australia). Board member since October 2009.

COMMITTEES & EXECUTIVE

Audit Committee

The Board has an Audit Committee to oversee:

- management of organisational risk;
- maintaining an effective control environment that includes systems for internal monitoring and financial and fraud control;
- maintaining reliable financial reporting;
- compliance with applicable laws, regulations and guidelines; and
- maintaining effective and efficient audit functions.

The Audit Committee has three members comprised of two Directors and one external appointee with finance / audit qualifications.

The Committee provides a forum for communication between the Board, senior staff, accountants and external auditors.

L-R: Kim Sinclair, Craig Brennan, Rohan Haslam, Kel Glover.

Community Committee

CHC's Community Committee has been established to ensure that the organisation continues to provide exceptional service to its tenants. The Committee undertakes regular review of CHC's tenancy policies and procedures, and has established a Tenant Advisory Group to facilitate effective two-way communication between CHC and its tenants.

CHC Executive Team

The Executive Team of CHC provides strategic leadership to CHC under the governance of the Board, and reports to the Chief Executive Officer. These members have been selected as a result of their qualifications and commercial experience.

Members of the Executive Team

Mr Craig Brennan, Chief Executive Officer *B Comm, MBA*

Ms Kim Sinclair, Deputy Chief Executive Officer, Company Secretary *GAICD - ISO Lead Auditor*

Mr Rohan Haslam, Chief Financial Officer (from March 2012) *BA, B Com, CA*

Mr Kel Glover, Chief Operating Officer

CORPORATE GOVERNANCE

CHC has in place a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability.

In this regard, the Organisation has a number of guiding standards and policies embedded within the following documents and systems:

- CHC Constitution
- Corporate Governance Charter
- Risk Management Plan
- Fraud Control Policy
- ISO 9001:2008 Management System

CHC's Audit Committee continues to review, and where necessary, modify or amend its Risk Management Plan and Fraud Control Policy.

Risk Management Framework

CHC operates a rigorous system of risk oversight, management and internal control. The Organisation's approach is to identify, assess and manage risks that affect (or have the potential to affect) its business.

This approach to risk management incorporates risk principles into the decision making process at all levels, and overlays CHC's management structure to engender a culture of personal responsibility to recognise and appropriately treat risk.

The Board oversees a comprehensive Risk Management Plan covering all potentially significant business risks, including CHC's strategic considerations. This framework ensures the Board has a clear understanding of CHC's risk, and allows the Board to influence and monitor the effectiveness and adequacy of risk mitigation strategies.

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the Board. There are also a number of programs in place to manage risk in specific areas, such as fraud, the environment, injury prevention and business continuity planning.

The Board monitors CHC's risks and mitigation strategies primarily through the Audit Committee.

External audit

In accordance with CHC's Constitution, the ACT Auditor-General is responsible for auditing the financial statements of the Organisation.

Internal audit

CHC's internal audit brings a systematic and disciplined approach to risk management, control and governance processes. The internal audit work program is endorsed annually by the Audit Committee, with results, progress and performance regularly reviewed by the Committee.

Internal control framework

CHC's internal controls address strategic, financial, operational and compliance elements established across multiple internal control layers. Controls include financial planning and reporting, commitment and expenditure delegations, due diligence, procurement contract tendering, organisation-wide risk management and internal audit practices.

Before adopting the annual financial statements, the Board receives written confirmation from the CEO and CFO that the integrity of the statements is founded on a sound system of risk management and internal compliance and control, and that all material risks have been managed effectively.

BSI Accreditation

The Organisation continued to receive ISO 9001:2008 accreditation of its systems through the British Standards Institution (BSI). In order to achieve and maintain accreditation, CHC demonstrated that it:

- maintained a set of procedures that covered all key processes in the business;
- monitored processes to ensure effectiveness;
- kept adequate records;
- checked output for defects, with appropriate and corrective action where necessary;
- regularly reviewed individual processes and the quality system itself for effectiveness; and
- facilitated continual improvement.

bsi. ISO 9001 Quality Management

OUR STAFF

Our staff are committed to delivering quality affordable housing and providing exceptional customer service.

"I love that what I do affects people's lives in a positive way."

(Jackie, Senior Tenancy Officer)

OUR TENANTS

We aim to be an important part of the everyday lives of our tenants. We develop, own and manage our own properties, placing us in a unique and enviable position to deliver against our mission.

"We love everything about the home we are renting. It fulfils our family's requirements and meets our needs."

Consistent with its objects and its not-for-profit purpose, CHC provides rental housing on a concessional basis to eligible tenants. The Organisation's tenancy composition consists of a number of models:

- Public Rebated Rent (Community Housing);
- Affordable Housing (74.9% of market rent); and
- National Rental Affordability Scheme (74.9% of market rent).

The total rent subsidy provided by CHC to its eligible tenants in 2011/12 was $2.41m compared to $2.01m in 2010/11. In this regard, the rent subsidy is comprised of $1.53m for Public Rebated Rent tenants and $0.88m for Affordable Housing/NRAS tenants.

The Organisation has a varied housing stock portfolio comprising of detached houses, dual occupancy, group houses and apartments. Given the diversity of the portfolio, the stock count (based on property title) does not necessarily reflect tenantable areas.

As at 30 June 2012, CHC had a total of 355 tenantable areas.

Tenant Advisory Group

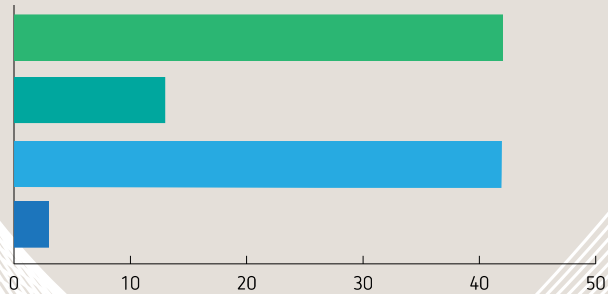
To enhance CHC's relationship with its tenants, the Community Committee established the Tenant Advisory Group (TAG). TAG represents a participative partnership between CHC and its tenants, with the group working towards the active implementation of tenant participation.

TAG also provides a forum for CHC to provide information on the planning and delivery of its housing services, and to strengthen communication with its tenants.

Membership is open to all current CHC tenants with CHC membership consisting of the CEO (Chair) and the CHC staff.

CHC conducted two TAG forums during the reporting period. Both forums were well attended and provided CHC with valuable feedback on its service delivery.

Tenancy type 2012



- Public Rebated Rent (Community Housing) (42%)
- Affordable Housing (13%)
- NRAS (42%)
- Managed Properties (3%)

"Thank you CHC."

TENANT SURVEY

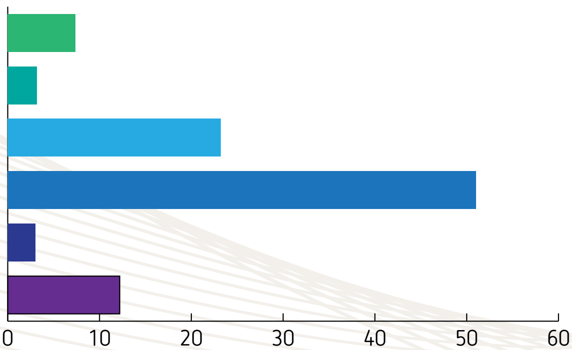
During the year, CHC conducted a review of its tenancy portfolio, including a survey of its tenants in order to gain a better understanding of its client base. The survey generated responses from almost half of CHC's tenants, with a number of key findings including:

- 10.6% of CHC's new affordable tenants were homeless or in supported accommodation prior to renting with CHC;
- most tenants rented in the private market before CHC;
- many CHC tenants aspire to home ownership;
- 18% of CHC's new affordable tenants are community and personal services workers (eg. nurses, childcare) compared to 9% in the ACT labour force (ABS:2006);
- 88% regarded the application process as satisfactory;
- 84% were satisfied with their housing conditions; and
- approximately 25% of CHC's tenants are sole parents.

CHC will use this information to better improve its services and housing.

Prior Housing circumstances (NRAS dwellings only)

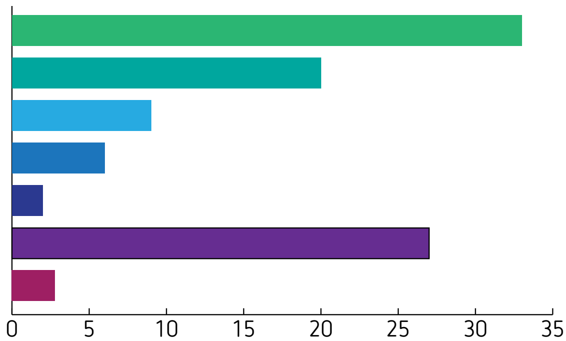
The survey sought information regarding previous housing circumstances of tenants.



- 7.4% of new tenants were homeless before becoming a CHC tenant
- 3.2% of new tenants were living in supported accommodation or refuges
- 23.2% of new tenants were previously living with families or friends
- 51% of new tenants were in private rental housing
- 3% of new CHC tenants were previously public housing tenants
- 12.2% not specified

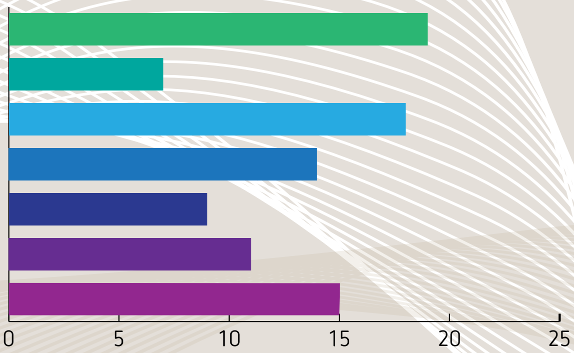
Sources of resident income

In order to assist CHC to better understand the source of its tenants' income, the survey asked residents to identify the number of residents receiving an income from specified employment categories.



- 33% of residents had private sector wages and salaries
- 20% of residents were public sector employees
- 9% of residents received income from the community sector
- 6% of residents were self employed
- 2% of residents received income from superannuation and annuities
- 27% of residents received pensions and allowances
- 3% not specified

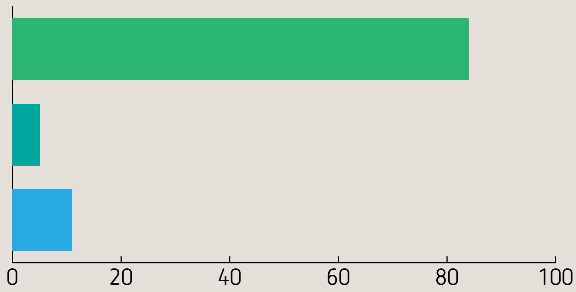
(The responses may include multiple income sources for individuals engaged in part time employment)



Profession

The survey asked tenants to identify their job function.

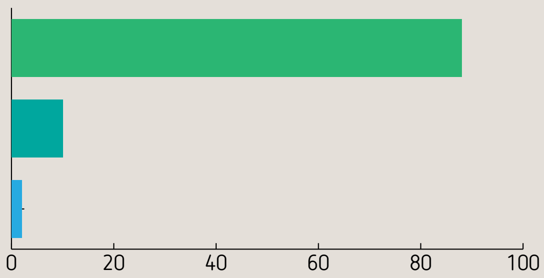
- 19% of household residents are Managers or Professionals, compared to almost 44% in the ACT labour force (ABS:2006)
- 7% are technicians or trade workers (e.g. mechanics, hairdressers) and 7% are labourers or plant operators
- 18% are community and personal service workers (e.g. nurses, childcare) compared to 9% in the ACT labour force (ABS:2006)
- Clerical/administrative workers represent 14% of residents
- 9% of residents earn their incomes from retail and other sales industries
- Some 11% of residents are unemployed
- 15% non specified



Housing condition

The survey asked tenants their satisfaction level with the overall condition of their dwelling.

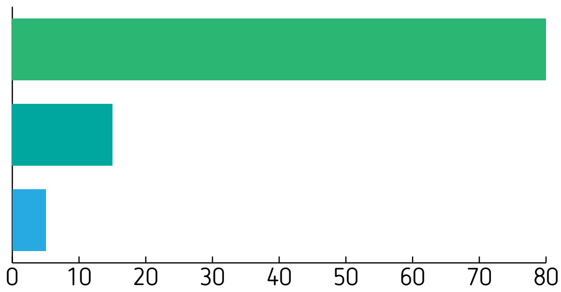
- 84% of tenants were very satisfied or satisfied with the condition of their housing
- Less than 5% indicated that they were dissatisfied
- 11% - not specified



Access to affordable housing

Tenants were surveyed on their experiences during the application process to assist CHC review the effectiveness of its public information strategies and application processes.

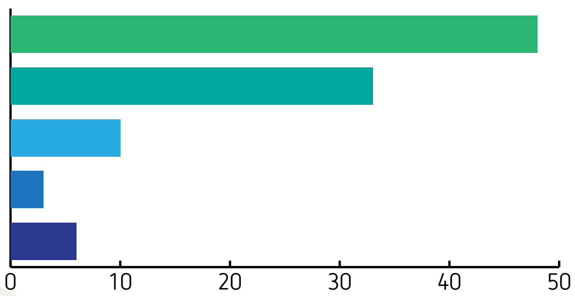
- 88% regarded the experience as good to very good
- 10% assessed the process as fair
- 2% other



Utilities consumption

The cost of living in CHC's housing portfolio remains a key issue for CHC and its tenants alike.

- Over 80% of respondents were interested in receiving information that will assist them to reduce their utility consumption
- 15% not interested in receiving information
- 5% not specified



Security and privacy

The survey asked tenants about their level of satisfaction with the security and safety of their home.

- More than 48% of tenants were very satisfied with the privacy and security of their home
- More than 33% were satisfied
- About 10% of tenants were dissatisfied
- Only 3% were very dissatisfied
- 6% not specified

OUR DEVELOPMENTS

"Our aim is to deliver not only affordable dwellings from a pricepoint perspective - but to ensure that the living costs of those dwellings are equally affordable."

(Col Alexander, Chairman)

Bonner Homes

Throughout the reporting period, CHC undertook construction of 77 three-bedroom homes in Bonner. All homes have been designed for energy efficiency, with features such as double glazing and solar-boosted gas hot water systems. CHC is utilising the ACT Government's Land Rent Scheme to assist in the delivery of these dwellings with all properties to be retained within CHC's affordable rental portfolio.

Symphony Park – The Terraces

CHC commenced the marketing of its one and three-bedroom terrace product in Harrison. These 32 terraces form part of a broader master-planned development that will deliver significant affordable outcomes over the next two to three years.

Located close to the Gungahlin town centre, schools, universities and stylish cafes, the development is designed to create a great lifestyle with strong connections to the landscape. This highly livable and inspiring new community reveals excellence in design with contemporary and architecturally designed homes. The Terraces provide a diverse range of quality housing options to suit varied budgets and lifestyles, set within a carefully planned neighbourhood.

Crace – Final Acquisitions

CHC finalised its takeout of dwellngs from the Crace development. A total of 56 dwellings were acquired delivering new levels of quality affordable housing. CHC continues to be a five per cent shareholder in Crace Developments Pty Ltd – the joint venture partner with the Land Development Agency.

Eclipse – Bruce

Eclipse proves conclusively that affordability can be achieved without compromising on quality. Cutting corners is not the CHC way, a fact that is evident in the development's inclusions.

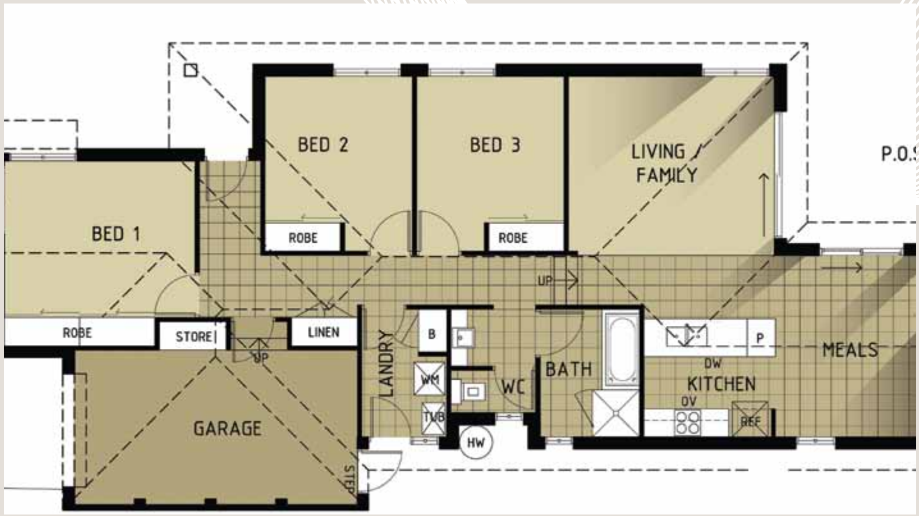
CHC commenced construction of Eclipse in August 2011, with the project set to deliver 223 units and townhouses within close proximity to the city.

In an ACT first, CHC is providing investment opportunities within the development through the National Rental Affordability Scheme (NRAS). Dwellings can be purchased with tax offsets designed to encourage investment in affordable housing. These dwellings are rented at 80% of market rent with owners entering into a Non-entity Joint Venture (NEJV) with CHC and its selected agent.

Stages of development – August 2011 to October 2012

OUR ASSETS


STANNER
STANNER CCT


BED 1
BED 2
BED 3
LIVING FAMILY
ROBE
ROBE
ROBE
STORE
LINEN
LANDRY
B
WM
TUB
HW
WC
BATH
KITCHEN
DW
OV
P
REF
MEALS
GARAGE
UP
STEP

"There is nothing like managing a project from its initial design all the way through to handing a tenant the keys to their new front door." (Lee, Asset Officer)

CHC continues to implement a strategic and innovative approach to asset management that:

- provides effective asset services including programmed and cyclical maintenance;
- reviews housing quality, condition and value; and
- identifies housing assets for long term retention, renovation, redevelopment or replacement.

Asset Portfolio

CHC continued to renew its assets with three completed renewals in addition to the final delivery of 27 dwellings from Crace. As at 30 June 2012, a total of 56 properties had been delivered within the development.

The Organisation increased its property portfolio by 73 properties, equating to a total of 326 properties as at 30 June 2012. Properties were both purchased and sold as part of the redevelopment and refurbishment of transferred stock, with land acquired as part of the Land Rent Scheme.

Redevelopment Activity - A Model

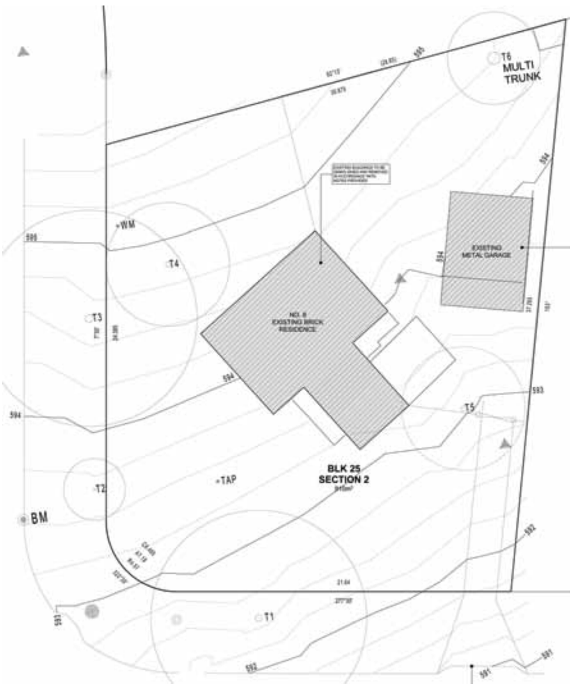
In light of recent changes to the Territory's planning laws, a detailed study of CHC's portfolio was undertaken in order to assess opportunities for redevelopment, particularly within existing urban areas. The study revealed several opportunities that could generate significant affordable outcomes through the renewal of CHC's older housing stock.

One such example was found in a dwelling located within the Woden Town Precinct. The existing residence provided a single tenancy solution and required a significant upgrade to improve energy efficiency and general amenity.

The design team undertook an analysis of the site's current zoning, including a detailed assessment of what could be achieved in terms of yield, energy efficiency, design and build-form. Not unlike CHC's previous infill developments, a key driver was to ensure that the project suited the existing character of the surrounding neighbourhood.

As a result of that process, CHC is planning for construction of three energy efficient, three-bedroom townhouses, which will deliver multiple affordable outcomes through an innovative and cost-effective approach to asset management.

Existing Dwelling



Proposed Dwelling

Elevations of Proposed New Dwellings

B. SOUTH ELEVATION (GLENORCHY STREET)

D. WEST ELEVATION (DELORAINE STREET)

FINANCIAL STATEMENTS

"A methodical approach to CHC's finances supported the Organisation's strategic direction, and delivered a strong, sustainable financial result, positioning CHC well for the future."

(Rohan, Chief Financial Officer)

ACT AUDITOR-GENERAL'S OFFICE

ACT Government

A12/16

Mr Col Alexander
Chair
Community Housing Canberra Limited
PO Box 6239
O'CONNOR ACT 2602

Dear Mr Alexander

AUDIT REPORT – COMMUNITY HOUSING CANBERRA LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Audit Office has completed the audit of the financial statements of Community Housing Canberra Limited for the year ended 30 June 2012.

I have attached the audited financial statements and unqualified audit report.

Yours sincerely

M. Cooper

Dr Maxine Cooper
Auditor-General
19 October 2012

c.c. Mr Craig Brennan, Chief Executive Officer
Mr Rohan Haslam, Chief Finance Officer
Ms Cathi Moore, Chair, Finance and Audit Committee

INDEPENDENT AUDIT REPORT
COMMUNITY HOUSING CANBERRA LIMITED

To the Members of Community Housing Canberra Limited

Report on the financial statements

The financial statements of Community Housing Canberra Limited (the Company) for the year ended 30 June 2012 have been audited. 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.

Responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Corporations Act 2001.* This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

Under the *Corporations Act 2001*, I am responsible for expressing an independent audit opinion on the financial statements of the Company.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial statements are free from material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

The audit is not designed to provide assurance on the prudence of decisions made by the Company.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of these financial statements should note that the audit does not provide assurance on the integrity of information presented electronically and does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements. If users of the these financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Company are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2012 and its performance for the year ended on that date; and

(b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*.

The audit opinion should be read in conjunction with other information disclosed in this report.

M. Cooper.

Dr Maxine Cooper
Auditor-General
19 October 2012

chc affordable housing

creating homes and communities

COMMUNITY HOUSING CANBERRA LIMITED

(A COMPANY LIMITED BY GUARANTEE ACN 081 354 752)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Contents to the Financial Statements

Corporate information

Company number	ACN: 081 354 752
Directors	C Alexander (Chair) C Moore (Deputy Chair) R Bear P Green K Horsham T Parkes K Werner
Company Secretary	Kim Sinclair
Registered Office	Ground Floor, 216 Northbourne Avenue Braddon ACT 2612
Principal place of business	Ground Floor, 216 Northbourne Avenue Braddon ACT 2612
Bankers	Westpac Dickson ACT
Auditors	ACT Auditor-General's Office P O Box 275 Civic Square ACT 2608

Directors' report for the financial year ended 30 June 2012

The Directors present this report to the members of Community Housing Canberra Limited ("the Company") for the year ended 30 June 2012 and the auditor's report thereon.

Directors

The Directors of the Company at any time during the year and to the date of this report are:

			Directors' Meetings		Audit	
	Date appointed	Date of cessation	A	B	A	B
Mr Colin Alexander (Chair)	30 Oct 09*		10	11	-	-
Ms Cathi Moore (Deputy Chair)	30 Oct 07		9	11	3	6***
Mr Richard Bear	27 May 08		9	11	6	6
Mr Paul Green	30 Oct 11		6	7	-	-
Mr Ken Horsham	21 Jan 98**		8	11	-	-
Ms Tania Parkes	27 Jun 07		7	11	-	-
Ms Kim Werner	30 Oct 09		10	11	2	3***
Mr Ross Barrett (Chair)	30 Oct 07	29 Oct 11	4	4	-	-

A Number of meetings attended
B Number of meetings held during the time the director held office during year
* Appointed as Chair on 30 October 2011
** Since incorporation
*** Ms Werner was appointed as an acting member of the Audit Committee for 3 meetings during Ms Moore's absence

Mr Ken Horsham was the Company Secretary between 21 January 1998 and 27 September 2011; Ms Kim Sinclair has been the Company Secretary since 27 September 2011. KPMG, Sydney, is the Company's ASIC agent.

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

Directors' Interests and Benefits

Since incorporation, 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 shown in the financial statements) 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 (refer to Note 26).

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

The Company's short and long term objectives are to: improve access to affordable housing; create appropriate housing; improve service delivery; and develop organisational capacity through efficient corporate governance.

The Company's strategy for achieving these objectives includes: developing new ways to deliver affordable housing; improving housing choice by the inclusion in development projects of adaptable or accessible housing for rent or sale to people with disabilities; improving the quality of housing provided to tenants; and periodically reviewing operations to ensure compliance with the requirements of a Charity and Public Benevolent Institution.

Principal activities

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

1. continuing to provide a variety of rental rebates to tenants in new and existing housing stock;
2. increasing the supply and quality of affordable housing properties available for rent and sale through the capital works program and stock purchase and disposal and refurbishment and redevelopment strategies;
3. continuing to participate in the ACT Government's Land Rent Scheme (LRS) with the construction of 77 new three bedroom dwellings in Bonner during the second half of the financial year (37 completed at 30 June 2012). These dwellings contribute to the supply of affordable housing properties available for rent by eligible applicants under the National Rental Affordability Scheme (NRAS) tenancy model;
4. commencing construction of the Eclipse project at Bruce which will yield 223 studio, one, two and three bedroom units and town houses in the suburb of Bruce. In addition to releasing to the market a substantial number of affordable properties for sale the Company is making available NRAS incentives to purchasers under a non-entity joint venture model to increase the supply of affordable rental properties. The Company will also retain properties to rent to eligible affordable tenants. The first stage of the project is expected to be completed in October 2012;
5. commencing preliminary works in relation to the Harrison project for which land was purchased in the previous financial year. Development Application approval was granted in the final quarter of the financial year and additional funding was received under the Commonwealth Government's Housing Affordability Fund (HAF) program;
6. acquiring a further 27 properties in the Crace development, using funds from the ACT Government's $20 million loan facility. The Company has allocated NRAS incentives to these properties;
7. receiving title to 9 properties at Braddon which were transferred from the Community Services Directorate (CSD) on 26 June 2012 following construction in 2010-11 and unit titling during the year. The Company and CSD had previously entered into an Operation Deed and License for Use allowing the Company to tenant these properties prior to transfer;
8. executing two commercial loan facilities with Westpac Banking Corporation ($25 million) and Community CPS Australia ($12 million) to partially finance the construction of Eclipse at Bruce and land rent properties at Bonner respectively;
9. providing mortgages over $75 million worth of property assets to the ACT Government as security over the ACT Government's $50 million and $20 million loan facilities; and
10. receiving 481 additional NRAS allocation under round 4 of the NRAS program, taking the total NRAS incentives allocated to the Company to 601.

In the opinion of the Directors, there were no significant changes in the nature of the Company's activities during the year not otherwise disclosed in this report or the financial statements.

Performance measures

The Company achieved an operating surplus for the year of $3,204,650 and a cash balance at 30 June 2012 of $8,289,621.

The Company measures performance through the establishment and monitoring of targets across its operations, including in relation to affordable dwellings for rent and for sale and renewal of existing housing stock, and is committed to long-term financial viability and the development of appropriate risk management and asset management processes to ensure that viability. The Company is also committed to ensuring compliance with both national community housing standards and ACT affordable housing regulatory requirements.

Dividends and member's 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 $1,600 (2011: $1,600).

Events subsequent to balance date

Since the reporting date: the property identified as held for sale has been sold.

Other than the matters discussed above, 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 $16,640 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 incurred by the relevant officers in defending proceedings whether civil or criminal 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.307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors made pursuant to s. 298(2) of the *Corporations Act 2001* on behalf of the Directors:

Colin Alexander	Cathi Moore
Chair	**Cathi Moore**
	Deputy Chair

Canberra 17 October 2012

ACT AUDITOR-GENERAL'S OFFICE

ACT Government

Auditor's Independence Declaration

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 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

M. Cooper.

Dr Maxine Cooper
Auditor-General
17 October 2012

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
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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 20 years' experience in the land development and construction industry. CEO of CIC Australia Ltd since its founding in 1986, Chairman of the Canberra MBA Fidelity Fund, Board member of the ACT Property Council, Council member of the Canberra Business Council and Board member of the MBA Skills Centre Building Fund. Board member since October 2009.	Chair
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). Member of Marymead Board. Board member since October 2007.	Deputy Chair Chair (Audit Committee) Member (Community Committee)
Richard Bear	BCom	Executive responsibility for financial management, information technology and human resource management. 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) Crace Developments Pty Ltd (Board Member)
Paul Green	MG, BA, LLB (Hons)	Advises property developers and major builders nationally and internationally on project delivery including structure, tax acquisition, construction and financing. Previously managing partner of Meyer Vandenberg from 2005 and Meyer Clapham from 1996 following an initial 21 year career as an officer in the Australian Regular Army. Lecturer in Building and Construction Law at the University of Canberra. Board member of Blue Gum School and the Lidia Perin Foundation. Board member since October 2011.	Director
Ken Horsham	FAIM, Grad Dip (Architecture)	Housing, planning and development consultant with urban development and urban management experience. Prior housing policy advisor with the Australian Government, ACT Commissioner for Housing and General Manager ACT Housing and Community Services Bureau. Chair of Northside Community Service. Board member since January 1998.	Director
Tania Parkes	PhD (Literature)	Principal of Tania Parkes Consulting. Social planner with 15 years' experience in consultation, research, evaluation and in facilitating residential and commercial property developments for government, non-government and private sectors. Previously a senior government official for over 13 years working in social policy portfolios. Board member since June 2007.	Director Member (Community Committee)
Kim Werner	BA/LLB Grad Dip (Population Health)	Executive experience in the non-government sector and former accredited Mediator and Facilitator. Previous appointments include *Manager*, Women's Centre for Health Matter Inc, *Deputy Director,* Toora Women Inc, and *Governance and Planning Manager,* Secretariat of National Aboriginal and Islander Child Care Inc. Currently holds the position of *Deputy Chair,* Private Mental Health Consumer Carer Network (Australia). Board member since October 2009.	Director Chair (Community Committee)
Ross Barrett	BE, CPEng, EngExec, FIE Aust, FAICD	Director of Woden Contractors Pty Ltd and Director of Tatebrook Pty Ltd. President of the Master Builders' Construction and Housing Association of the Australian Capital Territory, national board member of the Master Builders Association of Australia Inc and National President of the Civil Contractors Federation. Board member from October 2007 until October 2011.	Chair (former)

Statement of comprehensive income

For the year ended 30 June 2012

	Note	2012 $	2011 $
INCOME			
Rental revenue	6 (a)	4,488,980	3,274,195
Development sales revenue	6 (b)	-	30,555,087
Grant funding	6 (c)	376,666	6,841,082
Other revenue		3,646	320
Total Revenue		4,869,293	40,670,684
Gains			
Gain on disposal of property, plant and equipment		-	168,190
Gain on transfer of property, plant and equipment	6 (d)	4,030,000	-
TOTAL INCOME		**8,899,293**	**40,838,875**
EXPENSES			
Asset management expenses		(1,107,834)	(1,068,971)
Bad Debts		(19,730)	(21,462)
Cost of developments sold	7 (a)	-	(26,261,579)
Development expenses	7 (b)	(86,057)	(40,859)
Administrative expenses		(681,584)	(523,038)
Depreciation and Amortisation	7 (d)	(805,704)	(669,798)
Employee expenses	8	(1,308,962)	(1,157,898)
Loss on disposal of property, plant and equipment	7 (c)	(71,605)	(7,379)
Selling expenses		(256,593)	(1,187,793)
TOTAL EXPENSES		**(4,338,071)**	**(30,938,778)**
Finance income	9 (a)	710,516	642,196
Finance expenses	9 (b)	(2,067,088)	(1,199,610)
Net finance cost		**(1,356,572)**	**(557,414)**
NET SURPLUS FOR THE PERIOD		**3,204,650**	**9,342,683**
OTHER COMPREHENSIVE INCOME			
Increase in the asset revaluation surplus	24	2,004,867	17,232,656
Other comprehensive income for the period		**2,004,867**	**17,232,656**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,209,517**	**26,575,339**

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

Statement of financial position

As at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	11	8,289,621	7,637,024
Trade and other receivables	12	1,375,529	397,552
Inventory	13	40,980,666	15,552,968
Assets held for sale	5	523,123	-
Other assets	14	400,925	550,046
TOTAL CURRENT ASSETS		**51,569,863**	**24,137,590**
NON-CURRENT ASSETS			
Capital works in progress	15	1,958,252	52,563
Property, plant and equipment	10	123,635,430	103,388,270
Investments in equity instruments	16	1,509,932	1,509,932
Loan receivable	17	-	895,303
Intangible assets	18	83,030	111,401
TOTAL NON-CURRENT ASSETS		**127,186,645**	**105,957,469**
TOTAL ASSETS		**178,756,508**	**130,095,059**
CURRENT LIABILITIES			
Trade and other payables	19	3,696,643	344,916
Employee benefits	21	61,521	63,871
Finance lease liability	20	7,229	3,255
Other provisions	22	1,885,553	-
Other liabilities	23	92,757	67,903
TOTAL CURRENT LIABILITIES		**5,743,703**	**479,944**
NON- CURRENT LIABILITIES			
ACT Government Loan	4	66,162,000	43,000,000
Finance lease liability	20	-	7,229
Other interest-bearing debt	4	15,720,626	687,224
TOTAL NON-CURRENT LIABILITIES		**81,882,626**	**43,694,453**
TOTAL LIABILITIES		**87,626,329**	**44,174,397**
NET ASSETS		**91,130,178**	**85,920,661**
EQUITY			
Asset revaluation surplus	24	52,399,860	51,091,987
Retained earnings		38,730,318	34,828,674
TOTAL EQUITY		**91,130,178**	**85,920,661**

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 2012

	Retained Earnings $	Asset Revaluation Surplus $	Total Equity $
Opening balance at 1 July 2010	**24,899,794**	**34,445,528**	**59,345,322**
Net surplus for the period	9,342,683	-	9,342,683
Other comprehensive income			
Revaluation of land and buildings	-	17,232,656	17,232,656
Total comprehensive income for the period	**9,342,683**	**17,232,656**	**26,575,339**
Transfer of revaluation increment for assets disposed of	586,197	(586,197)	-
Closing balance at 30 June 2011	**34,828,674**	**51,091,987**	**85,920,661**

	Retained Earnings $	Asset Revaluation Surplus $	Total Equity $
Opening balance at 1 July 2011	**34,828,674**	**51,091,987**	**85,920,661**
Net surplus for the period	3,204,650	-	3,204,650
Other comprehensive income			
Revaluation of land and buildings	-	2,004,867	2,004,867
Total comprehensive income for the period	**3,204,650**	**2,004,867**	**5,209,517**
Transfer of revaluation increment for assets disposed of	696,994	(696,994)	-
Closing balance at 30 June 2012	**38,730,318**	**52,399,860**	**91,130,178**

Statement of cash flows
For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts from customers		3,705,547	39,575,723
Cash payments to suppliers and employees		(532,529)	(16,048,324)
Interest received		710,516	574,019
Interest paid		(2,880,365)	(1,199,610)
Acquisition of property		(8,146,836)	(19,668,594)
Proceeds from the sale of properties		350,000	1,058,500
Construction of new properties		(31,876,049)	(8,607,754)
Grant funding		376,666	1,030,000
Net cash (used in) operating activities		**(38,293,050)**	**(3,286,040)**
Cash flows from investing activities			
Payments for loans receivable		895,303	170,000
Acquisition of plant and equipment		(52,777)	(187,538)
Proceeds from the sale of plant and equipment		-	27,000
Net cash (provided by) investing activities		**842,526**	**9,462**
Cash flows from financing activities			
Cash from borrowed funds		38,120,038	10,687,224
Repayment of loans		(12,880)	-
Repayment of finance lease liability		(4,037)	(4,037)
Net cash provided by financing activities		**38,103,121**	**10,683,187**
Net increase in cash and cash equivalents		652,597	7,406,610
Cash and cash equivalents at the beginning of the year		7,637,024	230,414
Cash and cash equivalents at the end of the year	11	**8,289,621**	**7,637,024**

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

Notes to the financial statements

1 Corporate information

The financial statements of Community Housing Canberra Ltd (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 17 October 2012.

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) adopted by the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*.

Early Adoption of Accounting Standards
The directors have elected under Section 334(5) of the *Corporations Act 2001* to apply the following Accounting Standards in advance of their effective dates:

- AASB 1053 *Application of Tiers of Australian Accounting Standards;* and
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*

These Accounting Standards are not required to be applied until reporting periods beginning on or after 1 July 2013.

- AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirement for general purpose financial statements:
  - Tier 1 – Australian Accounting Standards
  - Tier 2 – Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by Tier 2 entities or inserting Reduced Disclosure Requirements paragraphs requiring simplified disclosures for Tier 2 entities.

The Company complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board.

The adoption of these Standards has resulted in significantly reduced disclosures in respect of financial instruments. There was no other significant impact on the current or prior year 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 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, which is the Company's functional currency.

(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 associated 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 recognised 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 3 - Determination of fair values
- Note 16 - Financial investments

The Company has had no significant changes to accounting policy in 2011 12. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. Summary of accounting policies continued…

(c) Revenue recognition

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

Revenue from rentals comprises the revenue earned from the provision of community and affordable housing to entities outside the Company. Rental revenue is recognised when the fee in respect of services falls due.

Development sales revenue*,* from the sale of land and building arising from development activities, is recognised on the date of settlement.

Grant funding from Government is recognised according to the underlying substance of the contractual arrangement.

Reciprocal transfer is income that arises in the ordinary course of an entity's operations through transactions in which the Company and a government body directly exchange cash, goods, services, or use of assets, etc. at approximately equal value with revenue being recognised as it is earned. Revenue for projects is recognised when earned.

The Company's agreements with the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) for the Gungaderra Homestead project and the Land Development Agency for Housing Affordability Funding were assessed to be reciprocal.

Non-reciprocal transfer is income which the Company receives, but does not give approximately equal value directly to the provider in return. It is treated as unconditional government funding and is recognised in profit or loss when the grant becomes receivable.

The Company had one such agreement with FaHCSIA for the Braddon Joint Venture project during the year. The Company recognised the value as revenue at the date of transfer of title to these assets.

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.

(d) Expenditure

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

(e) Finance income and finance expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, losses on disposal of available for sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset. These are recognised in the statement of comprehensive income using the effective interest method.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Cash flows from operating activities are reported on using the indirect method. The indirect method adjusts profit or loss for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing activities.

2. Summary of accounting policies continued…

(g) Trade and other receivables

Trade receivables arise in the normal course of providing goods and services and are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. Normal terms of settlement vary from seven to 60 days. The carrying amount of the receivable reflects fair value.

(h) 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's accounting policy is to capitalise borrowing costs incurred on specifically acquiring, constructing, or producing a qualifying asset.

The cost of inventories 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 the 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 current assets when it is expected to be sold within one year.

(i) 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 recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Assets held for sale are not depreciated.

(j) 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.

Work in progress for current projects of the Company is capitalised as the expense is incurred and where it is probable that the future economic benefits embodied within the project will flow to the Company.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, including improvements, 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 are recognised 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.

(ii) 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 disclosed in Note 3. Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

(iii) 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.

2. Summary of accounting policies continued...

(k) Property, plant and equipment continued...

(iii) Revaluation of land and buildings continued...

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. 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.

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 profit and loss. When there is a reversal of a previous revaluation decrement through the profit and loss, the amount is credited to profit and loss.

When the carrying amount of land and buildings is decreased as a result of a revaluation, the decrease is recognised in profit and loss, except where a credit balance exists in the asset revaluation surpluses, in which case it is credited against that surplus.

The Company has adopted a policy of external independent revaluation of its housing portfolio every two years.

(iv) 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:

	2012 Years	2011 Years
Buildings	62.5	62.5
Leasehold improvement	3	3
Plant and Equipment		
-Computers	3	3
-Motor vehicles	5-6	5-6
-Office fit out	15	15
-Equipment	5	5
-Furniture and fittings	15	15
-Equipment held under finance leases	Life of lease	Life of lease
Software	4	4

(v) Amortisation

Amortisation is based on the cost of an intangible asset less its residual value. Amortisation is recognised 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.

(vi) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss shall be recognised immediately in profit and loss, unless the asset is carried at revalued amount in which case it shall be recognised in other comprehensive income and treated as a revaluation decrease.

(vii) 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 profit or loss 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.

2. Summary of accounting policies continued…

(l) Financial assets and liabilities

(i) Available-for-sale financial investments

Available-for-sale investments 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 profit and loss.

For investments with no active market, fair value is determined by taking into account the purchase price of the asset and consideration of 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)).

(ii) Loans receivable

Loan receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans receivable are measured at amortised cost using the effective interest method, less any impairment losses. Loans receivable comprise of the loan receivable from Crace Developments Pty Limited, which was repaid in full in 2011-12.

(iii) 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 within 10 working days of recognition.

(m) Employee benefits

Employee benefits comprise wages and salaries, annual, non-accumulating sick and long service leave, and contributions to superannuation plans.

(i) Short term benefits - wages, salaries and annual leave

Liabilities for employee entitlements to wages, salaries and annual leave that are expected to be settled 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 net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as disclosed in Note 21. The amount of these provisions would change should any of these factors change in the next 12 months.

Long service leave Employee long service leave balances are only recognised once five years' service has been attained as management has determined that it is improbable that staff with less than 5 years' experience will complete the required service to qualify for long service leave. At balance date no employee had completed over five years of service and no provisions for long service leave was recognised.

2. Summary of accounting policies continued…

(m) Employee benefits continued…

(iii) Superannuation

Employees are subject to the Superannuation Choice arrangements. The Company's default fund is AGEST. Employees who choose to join AGEST or other eligible funds have a superannuation guarantee contribution paid into their nominated funds. Contributions are recognised in the statement of comprehensive income when they are due. The Company has no obligation to pay further contributions to these plans if the plans do not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

(n) 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 raised 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 the provisions are reversed.

(o) Leased assets

Finance Leases are leases where the Company assumes substantially all the risks and rewards of ownership. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income. The fair value of the leases is estimated as the present value of future cash flows, discounted at market interest rates. The carrying value of the lease is considered a reasonable reflection of fair value.

Finance leased assets are depreciated over the estimated useful life of the asset.

Operating Leases are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(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.

(q) 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 recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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.

2. Summary of accounting policies continued…

(q) Impairment continued…

(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) are impaired. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

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, an impairment loss is recognised in profit and loss. However, because land and buildings are measured at fair value, impairment loses are recognised 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 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 2012, there were no indications that any of the Company's property, plant and equipment assets were impaired.

(r) 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 accounts. Such income tax exemption is reviewable by the Australian Taxation Office 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 recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 recognised inclusive of GST. The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office 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 following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property (land and buildings) is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly.

In accordance with Company policy, a revaluation of the entire class of Land and Buildings occurs every two years with the last such valuation occurring in June 2011. Properties completed during the 2011-12 financial year were valued at fair value on completion (see Note 10). Valuations are conducted by an external qualified valuer. The next revaluation is due in June 2013.

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

3. Determination of fair values continued …

(b) Investments in 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 appropriate valuation techniques including discounting future cash flows, option pricing models 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. The Company has assessed the carrying value at reporting date to be fair value.

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	2012 $	2011 $
- ACT Government loan	66,162,000	43,000,000
- Westpac Banking Corporation loan	*10,989,353*	*-*
- Community CPS loan	*4,731,273*	*687,224*
- Other interest-bearing debt	15,720,626	687,224
	81,882,626	**43,687,224**

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 applicable weighted average interest rates for the $50 million and $20 million facility for the financial year were 4.92% and 4.13% respectively. Total interest incurred for the financial year was $2,621,355. Of this amount, $612,308 (being approximately 23% of the interest incurred) has been capitalised to inventory and capital works in progress. No interest was accrued on the loan as all payments were made during the financial year.

The Westpac Banking Corporation loan is a $25 million short-term loan facility for the construction of the Eclipse project at Bruce. Periodic repayments of loan principal and interest amounts will be made in conjunction with sales being settled for the Eclipse project. The weighted average interest rate for the loan for the financial year was 1.05%. Total interest incurred for the financial year was $57,437 which was accrued against the value of the loan pending sales. All interest expenses were capitalised to inventory.

The Community CPS loans represent thirty nine principal and interest mortgages relating to Land Rent Scheme properties, which are repayable over 25 year terms. The weighted average interest rate for these loans for the financial year was 2.85%. Interest costs for the year were $63,378, of which $5,337 was capitalised to capital works in progress.

(a) Borrowings

	2012 $	2011 $
- YARIS (office pool car) lease	7,229	10,484

The Company has a finance lease for the office pool car purchased in August 2008. The lease is for a term of 48 months at an interest rate of 8.72%. At the end of the term, a residual amount of $6,894 is payable. See also Note 20.

4. Loans and borrowings continued…

(b) Financing facilities available

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

	2012 $	2011 $
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
- Westpac Banking Corporation (Eclipse construction)	*25,000,000*	*-*
- Westpac Banking Corporation (Eclipse construction GST)	*835,000*	*-*
- Westpac Banking Corporation total	25,835,000	-
- Community CPS	12,687,224	687,224
Facilities used at reporting date:		
- ACT Government loans (4.02.08)	*50,000,000*	*43,000,000*
- ACT Government loans (28.06.11)	*16,162,000*	*-*
- ACT Government loans total	*66,162,000*	*43,000,000*
- Westpac Banking Corporation (Eclipse construction)	*10,989,353*	*-*
- Westpac Banking Corporation (Eclipse construction GST)	*-*	*-*
- Westpac Banking Corporation total	*10,989,353*	*-*
- Community CPS	*4,731,273*	*687,224*
Facilities unused at reporting date:		
- ACT Government facility (4.02.08)	*-*	*7,000,000*
- ACT Government facility (28.06.11)	*3,838,000*	*20,000,000*
- ACT Government facility total	3,838,000	27,000,000
- Westpac Banking Corporation (Eclipse construction)	*14,010,647*	
- Westpac Banking Corporation (Eclipse construction GST)	*835,000*	
- Westpac Banking Corporation total	14,845,647	
- Community CPS	7,955,951	

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.

Westpac Banking Corporation

The facility was entered into for a short-term fixed period ending May 2014 to partially fund the construction of the Eclipse project at Bruce, and was made available based on the Company reaching agreed pre-sales and equity contribution targets for the project. The facility limit will progressively reduce in May 2013 (to $15 million), February 2014 (to $5 million) and May 2014 (to nil). The loan is secured by the Company’s interest in the land, construction and intellectual property which forms part of the development.

CPS Commercial Loans

Twenty nine of the Company’s Land Rent Scheme properties are partially funded via commercial facilities with Community CPS. These are principal and interest mortgages, repayable over a 25-year term.

(c) Banker’s undertakings

The Company has obtained the following banker’s undertakings, which remain outstanding at 30 June 2012:

1. 25 June 2008, $6,000 to ACT Planning and Land Authority – for verge works at the Forde development;
2. 9 December 2008, $19,000 to ACT Planning and Land Authority – for verge works at The Edge development;
3. 18 January 2011, $23,100 to Tokich Homes Pty Ltd – being bond on office premises; and
4. 30 June 2011, $20,000 to ACT Planning and Land Authority – for infrastructure works at the Eclipse development.

It is expected that these undertakings will lapse with recourse as these development works are completed and leases expire.

Items held as security

Westpac Banking Corporation continues to hold 24 properties as security located at City Edge and Village Vue. This arrangement is reviewed annually.

5 Assets held for sale

Properties are sold as part of the Company's asset management strategy. At 30 June 2012 there was one property identified as being a non-current asset held for sale. The property is measured at the lower of its carrying amount and its fair value less costs to sell. The property – 5 Piper Street, Ainslie – is listed for sale at $530,000+.

	2012 $	2011 $
Transferred Stock – Land and Building	523,123	-
	523,123	**-**

6 Income

(a) Rental revenue

		2012 $	2011 $
Public rebated rental income	i	1,077,765	922,513
Affordable housing rental income	ii	708,678	631,071
NRAS housing rental income	iii	2,601,148	1,652,151
NRAS land rent housing rental income	iv	101,389	68,460
		4,488,980	**3,274,195**

(b) Development sales revenue

Gross sale proceeds	v	-	30,555,087
		-	**30,555,087**

(c) Grant funding

Community Services Directorate – Gungaderra Nation Building Stimulus	vi	-	5,811,082
Land Development Agency – Housing Affordability Fund	vii	376,666	1,030,000
		376,666	**6,841,082**

(d) Gain on transfer of property, plant and equipment

Net gain on transfer of properties	viii	4,030,000	-
		4,030,000	**-**

Other 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. The increase in revenue from 2011 reflects the increase in the number of properties in the affordable tenancy portfolio together with market rent increases.

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 Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). 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. The increase in revenue reflects the significant increase in the number of properties in the NRAS housing portfolio.

iv NRAS land rent housing rental income denotes revenue derived by utilising 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. The increase in revenue reflects the significant addition of new properties to the land rent housing portfolio.

v Gross sales proceeds relates to the sale of "The Edge" project during the 2010-11 financial year. No projects were settled during the year.

vi Community Services Directorate – *Gungaderra Nation Building Stimulus*
Funding was provided towards the construction of a 29 unit development, which included the refurbishment of the heritage listed Homestead and landscaped gardens. The project was completed and funding ceased in 2010-11.

vii Land Development Agency - Housing Affordability Fund (HAF) revenue relates to project works at Harrison. The decrease in funding from 2010-11 reflects funding milestones reached throughout the year.

viii On 26 June 2012, the Company received title over 9 properties in Ijong Street, Braddon via transfer from the Community Services Directorate. The properties were transferred at no cost. The properties were valued at fair value of $4.030 million by an independent valuer and this amount has been recognised as a gain in profit and loss.

7 Expenses

	Note	2012 $	2011 $
(a) Cost of developments sold			
The Edge project	i	-	26,261,579
		-	**26,261,579**
(b) Development expenses			
Provision for repayment of Community Services Directorate funding		-	(120,948)
Other development expenses		86,057	161,807
		86,057	**40,859**
(c) Loss on disposal of property, plant and equipment			
Loss on disposal of property	ii	56,658	-
Impairment on measurement of property to fair value less cost to sell	iii	14,947	-
Loss on disposal of motor vehicle		-	7,379
		71,605	**7,379**
(d) Depreciation and Amortisation			
Depreciation	10	776,944	665,920
Amortisation	18	28,760	3,878
		805,704	**669,798**

Other expenses notes

i Relates to costs incurred in the construction of “The Edge” project which was completed in 2010-11. No projects were settled during the year.

ii Relates to the sale of property at 31 Sproule Circuit, Evatt for $350,000 in May 2012.

iii Relates to the transfer of property at 5 Piper Street, Ainslie to Assets Held for Sale – see Note 5.

8 Employee expenses

	Note	2012 $	2011 $
Salaries and wages		1,192,234	1,044,448
Superannuation contributions		106,569	97,395
Provision for annual leave	21	(2,350)	10,006
Fringe Benefits Tax expense		12,509	6,050
		1,308,962	**1,157,898**

9 Finance income and finance expenses

	Note	2012 $	2011 $
(a) Finance income			
Interest earned on Crace loan receivable		48,810	68,177
Interest earned on cash and cash equivalents		661,706	574,019
		710,516	**642,196**
(b) Finance expenses			
Interest expense on ACT Government loan	i	2,009,047	1,123,697
Interest expense on Community CPS loans		58,041	43,568
Interest expense on other loans		-	32,345
		2,067,088	**1,199,610**

i The Company increased its ACT Government loan liability by $23,162,000 during the financial year. This has resulted in an increase in interest expenses.

10 Property, plant and equipment

(a) Adjustment to fair value

During the 2011-12 financial year, 37 land rent properties were completed and revalued upon the issuing of Certificate of Occupancy. In addition, the Company purchased 27 townhouses in the Crace development and received via transfer 9 properties in Ijong Street, Braddon. These properties were revalued on the date of settlement. The Company engages two valuation companies when fair value assessments are required, being CB Richard Ellis (V) Pty Limited and Colliers International Consultancy and Valuation Pty Limited.

In accordance with Company policy, independent accredited valuers are engaged to determine the fair value of its land and buildings every two years. Fair value is determined directly by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The previous valuation was undertaken at 30 June 2011; the next portfolio valuation is due to occur at 30 June 2013.

(b) Property, plant and equipment carrying amount

	TOTAL $
Carrying amount	
2011	
Cost or fair value	92,040,057
Less: Accumulated depreciation	(665,920)
Write back of depreciation	1,024,134
Land and buildings revaluations at 30 June 2011	10,990,000
Carrying amount at 30 June 2011	**103,388,270**
2012	
Cost or fair value	124,532,124
Less: Accumulated depreciation	(896,694)
Carrying amount at 30 June 2012	**123,635,430**

The carrying amount of the land and building component of property, plant and equipment consists of four types of housing stock as follows:

	2012 $	2011 $
Transferred land and building	52,629,930	49,870,000
Non-transferred land and building	14,168,550	14,265,000
NRAS land and building	47,763,959	38,029,998
Land Rent building	8,901,248	1,060,000
Total land and building	123,463,687	103,224,998
Plant and equipment	171,743	163,272
	123,635,430	**103,388,270**

10. Property, plant and equipment continued...

(c) Property, Plant and Equipment reconciliation to carrying amount

Reconciliation to carrying amount	*Land and Buildings*	Plant and Equipment	*Property Plant and Equipment*
2012			
Carrying amount at 1 July 2011	103,224,997	163,273	**103,388,270**
Additions - Asset purchases	8,180,754	52,387	8,233,141
Additions – Transferred at no cost	4,030,000	-	4,030,000
Additions – Transfers from capital works in progress	7,692,381	-	7,692,381
Disposals	(400,000)	-	(400,000)
Transfers to non-current assets held for sale	(540,000)		(540,000)
Valuation adjustments to fair value	2,004,867	-	2,004,867
Write back of accumulated depreciation	3,714	-	3,714
Depreciation charge for the year	(733,027)	(43,917)	(776,944)
Balance at 30 June 2012	**123,463,687**	**171,743**	**123,635,430**

11 Cash and cash equivalents

	2012 $	2011 $
Petty cash	300	300
Cash at Bank	8,289,321	7,636,724
	8,289,621	**7,637,024**

12 Trade and other receivables

(a) Current

		2012 $	2011 $
Trade debtors	i	140,350	283,483
Less: Allowance for impairment		(11,045)	(4,005)
		129,305	279,478
GST receivable	ii	1,246,223	118,074
		1,375,529	**397,552**

i Trade debtors is comprised of receivables of $140,350, of which $133,228 is not considered overdue (0-30 days) and $7,122 is considered overdue (30 days +).

ii GST owing to the Company from the Australian Taxation Office for activity in May and June 2012 primarily relates to construction invoices.

(b) Reconciliation of the carrying amounts for impairment allowance

	2012 $	2011 $
Carrying amount at the beginning of year	**(4,005)**	**(574)**
Reduction in allowance arising from write backs	3,151	-
Additional allowance recognised	(10,191)	(3,431)
Carrying amount at the end of the year	**(11,045)**	**(4,005)**

13 Inventory

	2012 $	2011 $
Developments – construction costs	29,690,666	4,262,968
Developments – land	11,290,000	11,290,000
	40,980,666	**15,552,968**

As at 30 June 2012, the Company has two active capital works projects, located in Bruce and Harrison, identified for sale upon completion. Land held in relation to the Bruce project has been pledged as security against the Westpac Banking Corporation loan facility for the project.

14 Other assets

Current		2012 $	2011 $
Accrued income	i	355,298	116,372
Bonds/deposits paid		2,500	2,500
Deposit on land		-	396,563
Community Housing property bonds held		-	(3,273)
Prepayments		43,127	37,884
		400,925	**500,046**

i Includes $347,238 relating to NRAS incentive payments which are acquitted annually on a May to April basis.

15 Capital works in progress

(a) Capital work in progress

		2012 $	2011 $
Developments – construction costs	i	1,905,689	-
Software – BASIX	ii	52,563	52,563
		1,958,252	**52,563**

i As at 30 June 2012 the Company has one capital works in progress project at Bonner, which will be retained by the Company upon completion.

ii The Company has estimated the useful life of the BASIX Integrated Business System at four years. Amortisation has been applied to those modules of the software that are fully operational. Two modules remain under development and as these are not available for use have not been amortised.

(b) Reconciliation of capital work in progress developments carrying amounts

	2012 $	2011 $
Carrying amount at the beginning of year	**-**	**3,119,192**
Additions	9,598,029	8,447,155
Transfers to property, plant and equipment	(7,350,089)	(11,566,347)
Recognised as an expense in comprehensive income	(342,251)	-
Carrying amount at the end of the year	**1,905,689**	**-**

16 Investments in equity instruments

	2012 $	2011 $
Shares – Crace Developments Pty Limited at fair value	**1,509,932**	**1,509,932**

Valuation of equity instruments

The Company's investment is in Crace Developments Pty Limited, a special purpose vehicle set up to manage the Crace Urban development. The Company used the audited financial statements of Crace Developments Pty Limited 30 June 2012 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. The Company considers that no significant movements in fair value have occurred. See also Note 3 (b).

17 Loan receivable

	2012 $	2011 $
Non-current – Crace Developments Pty Limited at amortised cost	-	895,303
	-	**895,303**

As part of the Company's acquisition of its investment in Crace Developments Pty Limited, the Company also provided a loan to Crace Developments Pty Limited that reflects a contribution towards working capital. The loan was fully repaid in 2011-12.

18 Intangible assets

Intangible assets	2012 $	2011 $
At cost	115,669	115,279
Less: Accumulated amortisation	(32,638)	(3,878)
Carrying amount at the end of the year	**83,030**	**111,401**

Reconciliation of the carrying amounts for each intangible asset are set out below:		2012 $	2011 $
Carrying amount at the beginning of year		**111,401**	**-**
Additions		390	115,279
Amortisation	7	(28,760)	(3,878)
Carrying amount at the end of the year		**83,030**	**111,401**

19 Trade and other payables

Current		2012 $	2011 $
Trade creditors		212,353	181,094
Accrued expenses	i/ii	3,486,325	153,069
Employee salary packaging liability		(2,035)	10,753
		3,696,643	**344,916**

i Includes an amount of $40,690 payable to ACT Auditor-General's Office for auditing the financial statements. The 2010-11 financial year comparative figure was $39,428. The ACT Auditor-General's Office provided no other services and received no other benefits during the reporting period.

ii Increase reflects capital works in progress and inventory construction invoices for works performed in June 2012 and payable July 2012.

20 Finance lease liability

Current		2012 $	2011 $
Payable within one year	i	7,281	4,037
Less: Unexpired interest		(52)	(781)
		7,229	**3,255**
Non-current			
Payable between two and five years		-	7,281
Less: Unexpired interest		-	(52)
		-	**7,229**

i the amount of $7,281 includes an end of term payment of $6,894 due in the 2012-13 financial year.

21 Employee benefits

Provision for annual leave	2012 $	2011 $
Balance at the beginning of the year	63,871	53,865
Provisions made during the year	-	10,006
Provisions reversed during the year	(2,350)	
Balance at the end of the year	**61,521**	**63,871**

22 Other provisions

Provision for settlement of construction contracts	2012 $	2011 $
Balance at the beginning of the year	-	-
Provisions made during the year	1,957,865	-
Provisions reversed during the year	(72,312)	-
Balance at the end of the year	**1,885,553**	**-**

Provisions made and reversed during the year relate to funds retained by CHC 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 provider upon reaching specified milestones following completion of the project. During the year funds were retained against construction projects at Bruce and Bonner and partially repaid for Bonner. See also Note 2(n).

Provision for Gungaderra repayment of funds	2012 $	2011 $
Balance at the beginning of the year	-	120,948
Provisions made during the year	-	-
Provisions reversed during the year	-	(120,948)
Balance at the end of the year	**-**	**-**

Related to the Gungaderra Homestead project which was completed during the 2010-11 financial year.

23 Other liabilities

Revenue received in advance	2012 $	2011 $
Income received in Advance	92,050	67,903
Other	707	-
	92,757	**67,903**

24 Equity

Asset revaluation surpluses	2012 $	2011 $
Balance at the beginning of the year	**51,091,987**	**34,445,528**
Disposals/Transfers		
-Land	(511,000)	(485,000)
-Buildings	(185,994)	(101,197)
Total Disposals/Transfers	(696,994)	(586,197)
Revaluation increments/(decrements) on valuation adjustments of		
-Land	(65,000)	21,950,074
-Transferred Buildings	-	2,242,967
-Non-transferred Buildings	-	168,097
-NRAS Buildings	1,889,248	(7,293,339)
-Land Rent Buildings	180,619	164,857
Total revaluation increment on valuation adjustments	2,004,867	17,232,656
Balance at the end of the year	**52,399,860**	**51,091,987**

The asset revaluation surplus is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases offset an increase in the value of that class of assets previously recognised in the asset revaluation surplus.

25 Commitments and contingencies

(a) Operating leases

The Company has entered into eighty three commercial leases for land and buildings. Two leases have an average life of three years with no renewal options included in the contracts; the remaining eighty one are under the ACT Government's Land Rent Scheme. Land Rent Scheme leases are not included below.

Future minimum rentals payable under these leases as at the reporting date are:	2012 $
Within one year	100,760
After one year but not more than five years	55,760
More than five years	-
Total commitments under operating leases	**156,520**

(b) Capital expenditure commitments

At reporting date the Company has capital expenditure commitments totalling $252,582 in relation to the capital works in progress development at Bonner.

(c) Contingent liabilities

Crace Developments

The Company has provided a guarantee to the lenders of Crace Developments Pty Limited up to a maximum of $1,150,000 if Crace Developments Pty Limited fails to meet certain lending criteria stipulated in its construction loan agreements. The Company considers the possibility of an outflow of resources embodying economic benefits to be remote as at 30 June 2012.

26 Related parties and related party transactions

(a) Key management personnel

The following were key management personnel of the Company at any time 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 Craig Brennan (Chief Executive Officer)
Ms Cathi Moore (Deputy Chair)	Ms Kim Sinclair (Deputy Chief Executive Officer)
Mr Richard Bear	Mr Kel Glover (Chief Operating Officer)
Mr Paul Green *commenced 30 Oct 11*	Mr Rohan Haslam (Chief Financial Officer) *commenced 15 Mar 12*
Mr Ken Horsham	
Ms Tania Parkes	
Ms Kim Werner	
Mr Ross Barrett (former Chair) *ceased 29 Oct 11*	

(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	2012 $	2011 $
Mr Colin Alexander		8,750	-
Mr Ross Barrett		-	-
Mr Richard Bear		5,000	5,000
Mr Paul Green		5,000	-
Mr Ken Horsham	Solutions Alliance Pty Ltd	5,000	5,000
Ms Cathi Moore		5,000	5,000
Ms Tania Parkes		5,000	-
Ms Kim Werner		5,000	5,000
		38,750	**20,000**

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

(c) Key management personnel compensation

	2012 $	2011 $
Short term employment benefits	742,648	576,032
Other long-term benefits (superannuation)	61,099	47,909
i	**803,747**	**623,942**

i Total payments include payments made to Mr Rohan Haslam throughout the year in his position as Financial Controller, prior to his appointment to the Executive as Chief Financial Officer.

(d) Other key management personnel transactions with the Company

Ms Cathi Moore and Mr Richard Bear provided management advice as members of the Audit Committee in the ordinary course of business. Ms Cathi Moore, Ms Tania Parkes and Ms Kim Werner provided management advice as members of the Community Committee in the ordinary course of their roles as Directors.

The terms and conditions of the transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

26. Related parties and related party transactions continued...

(d) Other key management personnel transactions with the Company continued...

The value of the transactions during the year with Directors and their Director related entities were as follows:

Director	Director Related Entity	2012 $	2011 $
Mr Ken Horsham	Solutions Alliance Pty Ltd	42,720	-

Investment in Crace Developments Pty Ltd
The Company is represented on the board of directors of Crace Developments Pty Ltd by Mr Richard Bear. Mr Colin Alexander is the Chief Executive Officer of CIC Australia, an investor in Crace Developments Pty 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 and any associated decisions in relation to the purchase of properties from the Crace development.

27 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.

As at 30 June 2012 the number of members was 16 (2011: 16).

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 9 to 33 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position of the Company as at 30 June 2012 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 Accounting Standards and the Corporations Regulations 2001; 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:

Director

Cathi Moore

Director

Canberra 17 October 2012

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