

HAVELOCK HOUSING ASSOCIATION INC.

Annual Report 2017–18



Havelock Housing Association Inc.
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Chairperson's report

As Chair of the Management Committee of Havelock Housing Association, I am proud to present the 30th Annual Report of the Association and note this, the milestone of our 3rd decade supporting the Canberra community.

This is my 6th report as the Chair of the Board. I would like to use this report to reflect a little on our history and role in the local community. In recognising the 30th year of the Association we pay tribute to and recognise all those individuals who have contributed to the development of the Association over that period. Our Association is significant in a Canberra context, both in terms of its history of service and also importantly with respect to the Heritage of Havelock House itself.

The Association derives its name from our main facility on Northbourne Avenue opened, in June 1951, as a hostel to provide accommodation for our growing population. As the demand for Hostel accommodation diminished, the building then became a temporary home for the Australian Federal Police in 1982. In 1983 the then Hawke Government made a decision to make that move permanent unknowingly commencing a series of events that would give rise to the Association we have today.

In an attempt to change the Federal Government's position, the ACT Trades and Labour Council mounted a campaign demanding that the building remain a place of community housing most especially for the marginalised and homeless.

In 1983, for five long and bitterly cold months of a Canberra Winter, protesters camped and picketed outside Havelock House. The campaign was organised by the Canberra Union movement and fought to save the building as a community facility. It was a 24/7 protest that had broad community support and united Canberrans from all walks of life.

The campaign ended in December 1983 after the Government agreed to turn Havelock House over to the community for low-cost housing. This decision gave rise to the birth of the Association, located in the building, which today stands as one of the largest community housing providers in the ACT. As a 6th generation Canberran, I celebrate the history of our Association and the important role it has provided in the development of Canberra.

In these 30 years, Havelock Housing has seen its ups and downs, including some dark days that are well behind us. It's a source of some pride that our Association has been well served and supported by its dedicated and loyal staff over those years. This, combined with the calibre and dedication of the Association's Management Committee members past and present, has also been a key contributor to the success we see today.

Chief Executive Officer, Neil Skipper and his team deserve recognition for ensuring that our service delivery and client focus has never been of a higher standard. All the key performance indicators of the Association over the past year are a tribute to the organisation, its management team and its employees. I also personally thank the members of the Associations Management Committee, all of whom volunteer their skills contributing many hours of service to the association and ensuring our success.

Our 30th year results indicate that we are building a strong, successful and growing Association. We can confidently look forward to at least another 30 years supporting the homeless, the marginalised, the disabled and those in need.

I am proud to be a part of the Havelock Housing team, and, in our 31st year, I look forward to continue working with those dedicated to delivering quality outcomes for our clients, our key stakeholders, and our broader Canberra community.

I commend this Annual report to you.

A handwritten signature in black ink, appearing to read 'Craig Shannon', with a long horizontal stroke extending to the right.

Craig Shannon

Chairperson

Chief Executive Officer's report

It is with pleasure that I present Havelock Housing Association results for 2017 – 2018, our 30th year of operation.

The Association is in a sound financial position that allows us to continue providing an invaluable service to members and maintain safe and secure accommodation consistent with Community Housing Standards.

In addition, this year we;

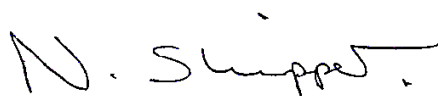
- Extended our offering to residents at Havelock House with free Wi-Fi, along with the existing initial rent-free period of up to two weeks, a free new mattress, free laundry facilities and other assistance such as free bed linen and personal items that our residents require.
- Continued to improve the amenity of our properties for the benefit of our residents.
- Commenced using new Branding, along with a new Website that offers the functionality for our residents to be able to lodge *Maintenance requests, Complaints and feedback, Notice of Intent to Vacate, Request a Transfer* and access various documents that have been loaded up onto the website for their use. I encourage everyone to check out the website at <https://www.havelock.asn.au/>
- Incorporated into the website a *Disability Housing Hub* that provides useful information and links along with a free community service for anyone to advertise a disability modified property.
- Successfully relocated our members who were impacted by the *Public Housing Renewal Program*.

I am also very fortunate to be a member of Yvette Berry MLA, *Minister for Housing and Suburban Development*, Affordable Housing Advisory Group which has been working with the ACT Government towards a new ACT Housing Strategy. The new ACT Housing Strategy will provide avenues for Havelock Housing Association to explore and grow the invaluable services we provide to the Canberra community, which complements our strategy to grow Community Housing in the ACT.

Along with the potential growth that the new ACT Housing Strategy will provide, the Association continues to improve our service, the quality of life of our members and invest in technology to run the association more cost-effectively.

Our results are truly a reflection of everyone's efforts from all our Members, Staff, Board and Housing ACT. I thank everyone for their contribution and look forward to next year which is shaping up to be an exciting year.

Yours Sincerely



Neil Skipper
Chief Executive Officer

1. About us

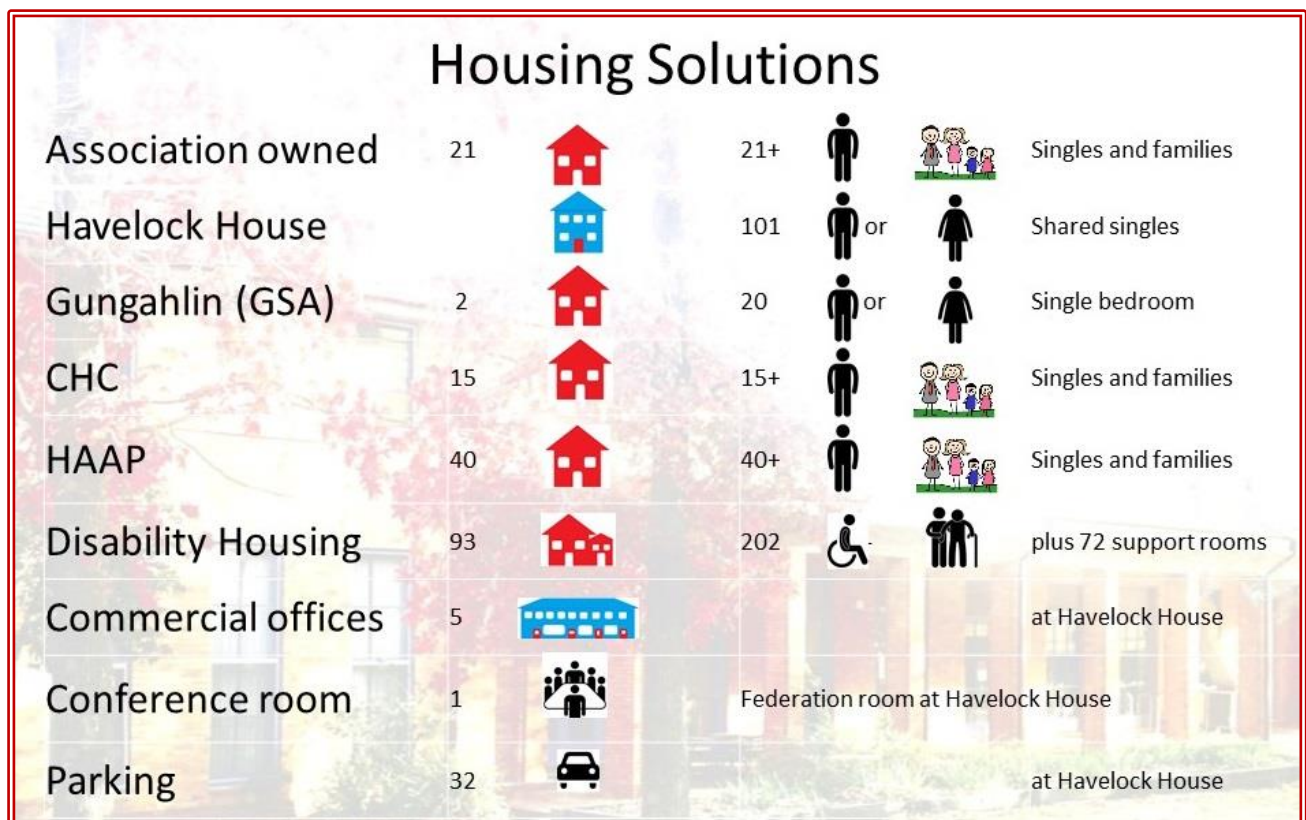
Our role

Havelock Housing Association Inc. is a not-for-profit community housing organisation that provides accommodation for people on a low to moderate income and to those with special needs.

Havelock House originally provided housing for public servants in Canberra. However, the building was handed over to Havelock Housing Association in 1988 after intense lobbying action from various welfare groups. Since then Havelock House has been used as community housing under the management of the Havelock Housing Association Inc.

30 years on, the Association manages nearly 400 tenancies, across 171 ACT properties including:

- 21 properties that Havelock Housing Association owns.
- Havelock House, which houses 101 single tenants.
- Gungahlin Single Accommodation, which houses 20 single tenants.
- Housing Asset Assistance Program (HAAP), consisting of 40 external properties.
- 93 Disability houses.
- 15 properties on behalf of CHC Affordable Housing.



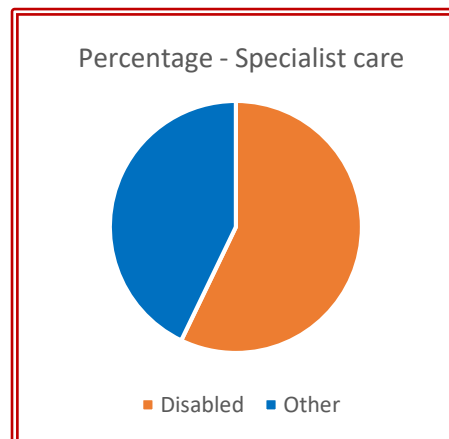
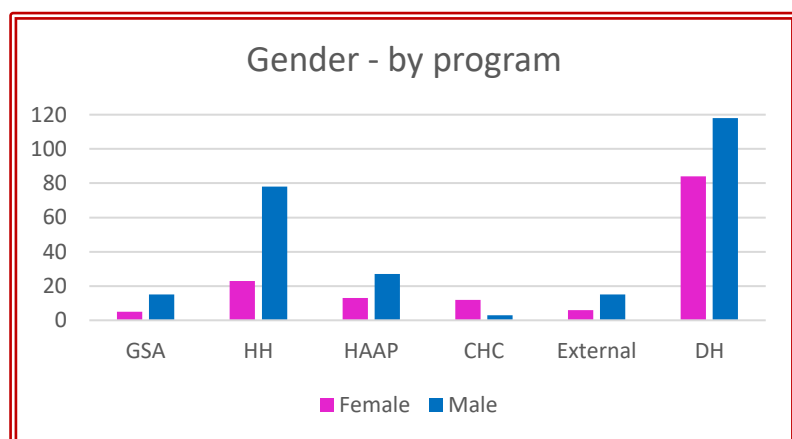
Our clients, our members

Our accommodation solutions cover a range of programs. We have target groups including young mothers, single parent families, students, LGBTQI inclusive, refugees and people facing mental health, alcohol and other drugs issues. We have a specific program to manage tenancies of houses designed for disability needs.

Havelock Housing Association strives to find ways to accommodate these people, with the objective to provide safe and secure accommodation.

It is vital that we continue to support growth in the community housing sector to cater for these people, provide them with a home and help them to feel part of a safe and protected neighbourhood. To be successful, it is vital to find the right 'fit' of accommodation to meet the tenant needs.

The demographics of our membership include:



The community housing model

Havelock Housing Association operates through a community housing model that aims to provide long-term, safe, secure, affordable and appropriate housing for our members. This encourages and maximises opportunities for tenants to assume control over their home and environment through participation in management.

The model is flexible, responsive and respectful of individual rights; and contributes to and is part of a safer and more secure community.

Our partnerships

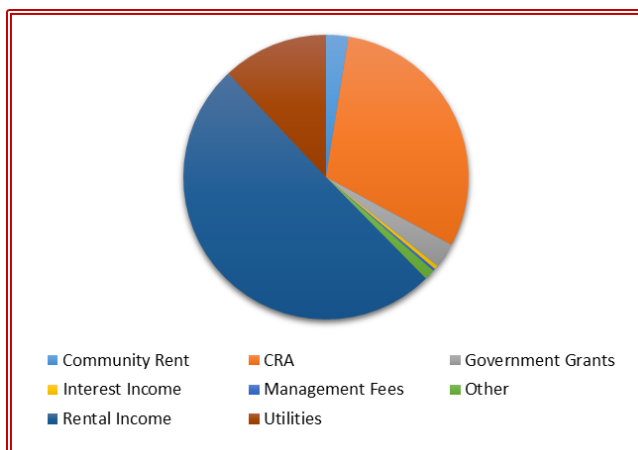
The Association continues to work to increase the range of accommodation options but we recognise that we cannot do it alone. Each year we are greatly assisted in our efforts by our valued partners, all of whom have given us a great deal of support.

The Association is endeavouring to find a balance between negotiating and sustaining a combination of relationship arrangements and directly liaising with the ACT Government to promote and expand upon its community housing objectives. In achieving this, the Association promotes social justice, maximises member participation, follows sound business principles and is a responsible and innovative organisation.

Acknowledgments, partnerships and relationships

| | |
|---|--|
| ACT Community Services Directorate | ACT Corrective Services |
| ACT Mental Health, Justice Health and Alcohol & Drug Services | Migrant and Refugee Settlement Services |
| ACT Neighbourhood Watch | ACT Shelter |
| Canberra Student Housing Cooperative | AIDS Action Council of the ACT |
| Australian Federal Police | CHC Affordable Housing |
| Joint Pathways | Australian Injecting and Illicit Drug Users League |
| National Disability Insurance Agency | St Vincent de Paul |
| The Salvation Army Oasis Youth Services | Youth Coalition |
| Early Morning Centre | Samaritan House |
| One Link | Good360 & Big W |
| Supportive Tenancy Services | |

Our funding



The Association's funding comes primarily from rent receipts, grants from the ACT and Federal Government, management fees, plus Commonwealth Rental Assistance. Information about our income from these sources is provided in the financial statements.

Government funding comes from the National Affordable Housing Agreement and/or the National Partnership Agreement on Homelessness, which are jointly funded by the ACT and Federal governments.

2. Performance report

Business planning

The strategies outlined in our 2017-2022 Strategic Plan were presented to the membership at the 2017 AGM and guides our decisions and priorities. Our strategic priorities are grouped under four overarching headings:

- 🏠 Accommodation solutions.
- 🏠 Sustainability.
- 🏠 Growth.
- 🏠 People.

Within each strategy we identified a number of goals and a phased approach to achieving them.



During the period 2014-2017 we concentrated on reducing vacancy rates, decreasing expenses, improving the current ratio and creating a cash reserve. Our aim was to accumulate cash reserves that would provide a solid business base for future projects. We were successful in this approach, allowing us to look forward and focus on implementation of key systems that are positioning us for the future and our growth phase.

Goals for 2017-2018

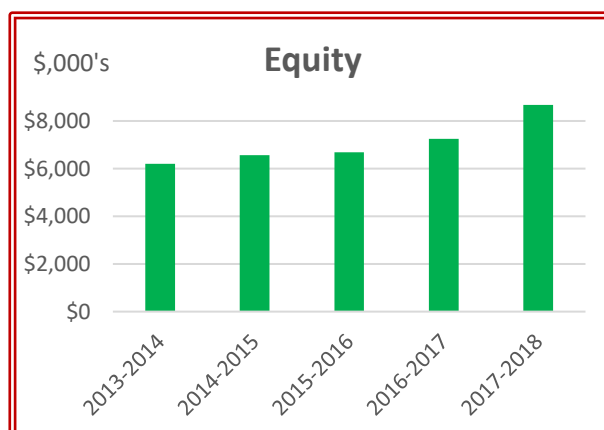
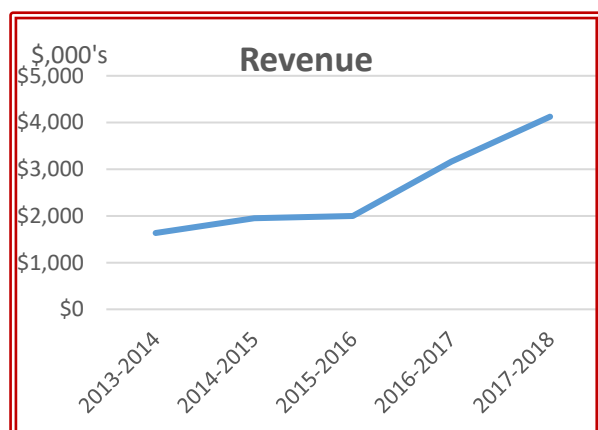
In 2017–18 we moved on to establishing our reserves and the growth stage of our strategy. We aimed to:

- Merge our systems, to provide for a major increase in housing stock
- Accumulate three months operating expenses in cash reserves
- Maintain low vacancy rates
- Generate a surplus
- Continue to manage expenses
- Refine and maximise the use of our tenant management system
- Improve maintenance response times
- Improve emergency and fire procedures at Havelock House
- Continue to identify and mitigate the business risks.
- Increasing the Association’s profile, for tenants and stakeholders

We are proud to report that we achieved each of these goals, the results are seen in the tables below. Most significantly, the Association successfully integrated the management of 93 properties under the Disability housing portfolio.

Our performance

A review of the last 5 years shows the key metrics of revenue and equity increasing, demonstrating the strategies are working. The Association has improved its financial position significantly.



Feedback on operations

The Association reports twice per year, against a Service Funding Agreement contracted with ACT Government, which details the parameters and milestones needed to maintain funding arrangements. In a most recent Service Funding Agreement assessment report, from Housing ACT, they commented:

“.....congratulates HHA on these reports as they provide clear demonstration of HHA’s commitment to its tenants and residents. The continuation of incentives and programs (such as the linen cupboard) are clearly having a positive impact on occupancy rates....”

“...[the department]...applaud the ongoing tenant centred approach that HHA takes with the GSA program. The work of the HSO (Housing Service Officer) is to be particularly commended in addressing tenant issues. The report has clearly demonstrates high levels commitment to tenants....”

“...[the department] commends HHA on its continued management of the HAAP properties; the feedback received from tenants reflects HHA’s commitment to providing a high level of service.”

The HAAP report provides evidence of how HHA works collaboratively with other partners in order to secure positive outcomes for tenants.”

“...Overall, this report reflects the commitment to the provision of high-quality services to residents and [the department] congratulates HHA on their efforts.”

Results for 2017–2018







| Goal | Result | | |
|--------------------------|---|-----------|---|
| Occupancy rate |  | 96.3% | Occupancy rate has increased to 96.3%. The National standard benchmark is 97% which we are aiming to achieve by pro-actively managing properties. |
| Revenue |  | \$4.1m | Income increased by \$960,000 mainly attributable to a full year revenue stream of the Disability Housing Portfolio. |
| Expenses | \$3.74m | 90.6% | Cost to income ratio increased, attributable to: (i) introduction of Utility expense managed on behalf of (80%) of DH tenants, and (ii) Rent expense (to Dept), where net rent collected was paid to ACT Govt |
| Debt ratio |  | 4.68% | (percent of total liabilities/total assets) (Decrease from 5.49%). Reflects revaluation (+\$1.033m) of property assets and management of trade purchases. |
| Cash reserves |  | \$1.57m | Increased from \$1.07m. Includes cash, equivalent to 3 months operating expenses, held in Term Deposits. |
| Current ratio |  | 3.8 | Increase from 2.6. Current ratio continues to increase in line with the business's growth and operation strategies. |
| Operating surplus |  | \$389,513 | Net operating income of \$389K, which represents a 4.5% return on equity – well above the benchmark for equivalent Community Housing providers |



Figure 1- Havelock House, Canberra

3. Management and accountability

Governance – the Management Committee

At the 2017 AGM a new Constitution was presented to the members for consideration, which was overwhelmingly supported. This provided a renewed focus on member-based orientation. The Association now has a Management Committee, consists of eight elected positions.

Management Committee members 2017–2018

- Craig Shannon (Chair)
- Christine Murray (Deputy Chair)
- Adrian King (Treasurer)
- Neil Skipper (Chief Executive Officer)
- Sarah Phillips (Non Executive member)
- Carol Croce (Non Executive member)
- Dr Cressida Limon (Non Executive member)

This is a highly skilled set of individuals working together to develop the strategy and providing management oversight for the Association. Management Committee members have pledged their commitment to the objects of the Association and have the following core competencies:

- a strategic focus
- communication skills of a high order
- decision-making ability
- compassion and a commitment to social justice.

In addition, the Management Committee members are required to possess one of the following specific skills as they are to be elected under a specific skills category:

- financial management
- law, preferably in the area of property law
- business management
- residence/commercial real estate management and/or community organisations management.

This ensures we maintain a skill-based Management Committee focusing on the strategic direction of the Association in an efficient and effective manner.

Membership

As at 30th June, Association membership was 399 members.

Chief Executive Officer

The current Chief Executive Officer of the Association is Mr Neil Skipper. Mr Skipper has 30+ years' experience in the banking, finance and business arena. He commenced as Managing Director of Havelock Housing Association in 2014, reporting to the Board at the time. Under the 2017 Constitution, his title changed to Chief Executive Officer, reporting to the Management Committee. Mr Skipper has provided strong financial leadership for the Association through recent years and is now working on the growth strategies for the Association.

Our staff

At 30th June 2018, the Association had thirteen full-time or part time staff members.

One of the Association's property managers is a qualified and licensed real estate agent. The Association provides on-going, in-house training, combined with on-the-job experience.

For most staff, remuneration is in accordance with the Social, Community, Homecare and Disability Services Industry Award 2010.

Risk management

The Association has a comprehensive risk management plan. The Strategic risk management register is revised and updated regularly, most recent in April 2018. Additionally, there is a Fraud risk assessment undertaken each year.

Work health and safety

The Association has a commitment to workplace health and safety. We operate to a Work Health and Safety Manual. Regular meetings are held, which include representatives of staff and management.

Asset management

The Association has a comprehensive, Asset Management Plan, last reviewed in 2017





Insurance

Havelock Housing Association has appropriate insurances for its operations, including business, directors, landlord residential, motor vehicle, general liability, voluntary worker, workers compensation and association and management liability insurances.

4. Future directions

We are pleased to report the Association has made considerable progress towards achieving its mission and objectives. The strength of our finances now allows us to move confidently into the growth phase. We are pleased with the progress of the integration of the Disability Housing portfolio into our IT and tenancy management systems. We acknowledge there is more to be done, but we have taken major steps forward.

Our 2017-2022 strategy provide ambitious plans around the priorities of:

-  Accommodation solutions.
-  Sustainability.
-  Growth.
-  People.

We will continue to focus on improving our operational efficiency and investigating technological solutions that allow us to provide scalability while decreasing our costs. We will improve our maintenance response times and communication with our members. We will raise our profile in the community and advocate on behalf of our members. We look forward to working with our tenants, members, guardians and stakeholders towards a healthy future.

Our Vision

We have a vision for the future of Community Housing in the ACT and we plan to take a significant role in contributing to that future.

Our vision for 2022



Culture outcomes

Our community is safe, secure, inclusive, treated with respect and free from discrimination

- Member-based
- Safe, clean, neat, tidy
- Respect by and for the individual
- Equality and equity of access



Growth and diversity outcomes

Housing solutions are appropriate to the needs of our members, and we are able to meet demand

- Quality disability housing
- Housing for the vulnerable and disadvantaged
- Family housing
- Singles accommodation
- Group-share accommodation



Sustainability outcomes

Our association is known and respected for its leadership, and we are sought after to provide solutions

- Sustainable, trustworthy and reliable
- Strong board and governance
- Demonstrated thought leadership
- Healthy and vibrant
- Well-respected and held in esteem

5. Financial statements

HAVELOCK HOUSING ASSOCIATION INCORPORATED

FINANCIAL REPORT FOR THE YEAR ENDED

30 JUNE 2018

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HAVELOCK HOUSING ASSOCIATION INCORPORATED
COMMITTEE'S REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Your committee members submit the financial report of Havelock Housing Association Incorporated for the financial year ended 30 June 2018.

Committee Members

The names of committee members throughout the year and at the date of this report are:

Sarah Phillips
Craig Shannon
Christine Murray
Carol Croce

Neil Skipper
Adrian King
Dr Cressida Limon

Principal Activities

The principal activities of the association during the financial year were to provide:

- medium to long term secure affordable housing to single people and families on low to moderate incomes
- suitable housing for people with disabilities in the Australian Capital Territory.

Significant Changes

Havelock Housing Association Inc. obtained 91 Disability properties from the ACT Community Services Directorate (ACT Housing).

The initial handover of 88 properties took place 12/02/2017, this has since increased to 91 with 3 properties opting to have Havelock Housing Association manage their tenancy.

The properties accommodate tenants with varying degrees of physical and mental disabilities.

Operating Result

The result from ordinary activities amounted to a net surplus of \$389,513 (2017: surplus \$570,972).

Please refer to note 1a of the financial statements for further details.

Signed in accordance with a resolution of the Members of the Committee.



.....
Mr Craig Shannon, Chair



.....
Mr Adrian King, Treasurer

Dated this: 30th October 2018

HAVELOCK HOUSING ASSOCIATION INCORPORATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 | 2017 |
|--|-------------|-------------------------|-----------------------|
| | | \$ | \$ |
| Revenue | 2 | 4,125,070 | 3,165,739 |
| Rent expense | | (1,525,540) | (887,162) |
| Employee benefits expense | | (1,162,982) | (922,899) |
| Utilities and rates expense | | (405,741) | (178,293) |
| Maintenance expense | | (255,865) | (228,413) |
| Depreciation and amortisation expense | | (140,377) | (123,472) |
| CHC affordable housing | | (124,955) | (107,646) |
| Insurance expense | | (20,784) | (17,045) |
| Professional and audit fees | | (20,570) | (18,000) |
| Telephone & internet expense | | (12,835) | (11,501) |
| Provision for impairment of receivables | | (11,306) | (10,186) |
| Motor vehicle expense | | (8,294) | (7,110) |
| Other expenses | | (46,308) | (83,040) |
| Surplus from operations | | <u>389,513</u> | <u>570,972</u> |
| Other comprehensive income | | | |
| Movement in asset revaluation reserve | 6 | 1,033,125 | - |
| Total comprehensive income attributable to the members | | <u>1,422,638</u> | <u>570,972</u> |

The accompanying notes form part of these financial statements.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|----------------------------------|------|-------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 1,567,013 | 1,068,212 |
| Trade and other receivables | 5 | 6,054 | 19,869 |
| Prepayments | | 15,251 | 12,870 |
| TOTAL CURRENT ASSETS | | <u>1,588,318</u> | <u>1,100,951</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 7,499,894 | 6,576,685 |
| Intangible asset | 6 | 16,469 | - |
| TOTAL NON-CURRENT ASSETS | | <u>7,516,363</u> | <u>6,576,685</u> |
| TOTAL ASSETS | | <u>9,104,681</u> | <u>7,677,636</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 359,807 | 375,262 |
| Employee benefits | 8 | 66,773 | 46,911 |
| TOTAL CURRENT LIABILITIES | | <u>426,580</u> | <u>422,173</u> |
| TOTAL LIABILITIES | | <u>426,580</u> | <u>422,173</u> |
| NET ASSETS | | <u>8,678,101</u> | <u>7,255,463</u> |
| EQUITY | | | |
| Asset revaluation reserve | | 5,250,362 | 4,217,237 |
| Retained earnings | | 3,427,739 | 3,038,226 |
| TOTAL EQUITY | | <u>8,678,101</u> | <u>7,255,463</u> |

The accompanying notes form part of these financial statements.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Asset revaluation reserve | Retained Earnings | Total |
|---------------------------------------|---------------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Balance as at 1 July 2017 | 4,217,237 | 2,467,254 | 6,684,491 |
| Surplus attributable to members | - | 570,972 | 570,972 |
| Balance as at 30 June 2017 | <u>4,217,237</u> | <u>3,038,226</u> | <u>7,255,463</u> |
| Surplus attributable to members | - | 389,513 | 389,513 |
| Increase to asset revaluation reserve | 1,033,125 | - | 1,033,125 |
| Balance as at 30 June 2018 | <u><u>5,250,362</u></u> | <u><u>3,427,739</u></u> | <u><u>8,678,101</u></u> |

The accompanying notes form part of these financial statements

HAVELOCK HOUSING ASSOCIATION INCORPORATED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from clients | | 4,396,326 | 3,168,696 |
| Payments to suppliers and employees | | (3,986,088) | (2,525,404) |
| Government grants | | 116,986 | 235,252 |
| Interest received | | 18,507 | 5,496 |
| Net cash from operating activities | 9 | <u>545,731</u> | <u>884,040</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for plant and equipment | 6 | (30,461) | (180,497) |
| Payments for intangible asset | 6 | (16,469) | - |
| Net cash used in investing activities | | <u>(46,930)</u> | <u>(180,497)</u> |
| Net increase in cash held | | 498,801 | 703,543 |
| Cash and cash equivalents at beginning of financial year | | <u>1,068,212</u> | <u>364,669</u> |
| Cash and cash equivalents at end of financial year | 4 | <u>1,567,013</u> | <u>1,068,212</u> |

The accompanying notes form part of these financial statements.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Havelock Housing Association Incorporated is an association incorporated in the ACT under the *Associations Incorporations Act (ACT) 1991*.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, the *Associations Incorporations Act (ACT) 1991* and the *Australian Charities and Not-for-profits Commission 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

a. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

b. Income Tax

Havelock Housing Association Incorporated is exempted from income tax due the exemption granted under section 6.2 of section 50-30 of the Income Tax Assessment Act 1997.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Leasehold Land and Buildings

Leasehold land and buildings are measured at fair value less accumulated amortisation and impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity.

The fair value of the leasehold land and buildings is obtained on a periodic basis by an independent valuer.

Revaluation

Any revaluation increments are credited to an asset revaluation reserve. Revaluation decrements for a class of asset are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Property, Plant and Equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

The depreciable amount of depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Other class of fixed assets are depreciated using declining balance method.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Buildings | 2.5% |
| Motor Vehicles | 12.5% |
| Office Equipment | 10% - 33% |
| Leasehold improvements | 10% |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the association becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the association commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss in which case transaction costs are expensed to profit or loss immediately.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments (continued)

- (i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

- (ii) *Financial liabilities*
Non-derivative financial liabilities are subsequently measured at amortised cost.

f. Impairment

At the end of each reporting period, the association assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation;

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

g. Employee Benefits

Provision is made for the association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

i. Rental and Grant Income

Rental revenue is recognised when it is due.

Grants are treated according to the specifications of the grant funding agreements. Grant income and expenses are recognised as specified by the grant funding agreements.

All revenue is stated net of the amount of goods and services tax (GST).

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax 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 in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

k. Comparative Figures

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

l. Provisions

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. Critical Accounting Estimates

The association evaluates estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the organisation. No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

n. New, revised or amending Accounting Standards and Interpretations adopted

The association has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the association for the annual reporting period ended 30 June 2018. The association's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the association, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The association will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the association.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. New, revised or amending Accounting Standards and Interpretations adopted (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The association will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the association.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The association will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the association.

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 1004 Contributions and clarifies the treatment of the receipt of income by not-for-profit entities. Income received where there is an associated performance obligation should be recognised in line with the principles of AASB 15, whereas donations with no future obligation may be recognised immediately. In cases where assets or services that were received below market value, such assets or services should be recognised at fair value. When an entity receives volunteer services and can reliably measure the fair value of those services, the entity may elect to recognise the services as an asset (provided the relevant asset recognition criteria are met) or an expense. Local governments, government departments, general government sectors (GGSs) and whole of governments are required to recognise volunteer services if they would have been purchased if not provided voluntarily and the fair value of those services can be measured reliably. The company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the company.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| NOTE 2. REVENUE AND OTHER INCOME | | |
| Rental income | 2,076,913 | 1,427,667 |
| Commonwealth rent assistance income | 1,252,083 | 820,308 |
| Government grant income | 116,986 | 235,252 |
| Gas/electricity levy | 495,724 | 299,211 |
| Community rental | 104,619 | 104,333 |
| Management fees | 11,364 | 10,261 |
| Interest income | 18,507 | 5,496 |
| Other income | 48,874 | 263,211 |
| | 4,125,070 | 3,165,739 |
| | 4,125,070 | 3,165,739 |

NOTE 3. AUDITORS' REMUNERATION

Remuneration of the auditor of the association for:

| | | |
|--|---------------|---------------|
| Auditing or reviewing the financial report | 19,000 | 19,000 |
| | 19,000 | 19,000 |
| | 19,000 | 19,000 |

NOTE 4. CASH AND CASH EQUIVALENTS

| | | |
|---------------|------------------|------------------|
| Cash on hand | 700 | 687 |
| Cash at bank | 619,758 | 617,525 |
| Term deposits | 946,555 | 450,000 |
| | 1,567,013 | 1,068,212 |
| | 1,567,013 | 1,068,212 |

NOTE 5. TRADE AND OTHER RECEIVABLES

| | | |
|--------------------------------|--------------|---------------|
| Rental in arrears | 21,208 | 29,387 |
| Other receivables | - | 5,636 |
| Less: Provision for impairment | (15,154) | (15,154) |
| | 6,054 | 19,869 |
| | 6,054 | 19,869 |

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 | 2017 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| NOTE 6. NON-CURRENT ASSETS | | |
| Property, Plant and Equipment | | |
| Leasehold Land and Buildings* | | |
| Leasehold land at fair value | 2,855,000 | 2,230,000 |
| Buildings at fair value | 4,455,000 | 4,375,000 |
| Accumulated depreciation | - | (218,750) |
| | 7,310,000 | 6,386,250 |
| Leasehold Improvements | | |
| Leasehold Improvements at cost | 309,613 | 309,613 |
| Accumulated depreciation | (180,403) | (165,196) |
| | 129,210 | 144,417 |
| Plant and Equipment | | |
| Equipment at cost | 266,077 | 235,616 |
| Accumulated depreciation | (205,393) | (189,598) |
| | 60,684 | 46,018 |
| | | |
| Total property, plant and equipment | 7,499,894 | 6,576,685 |
| | | |
| Intangible Asset | | |
| Website development at cost | 16,469 | - |

*The ACT Government's interest in the leasehold land and buildings is secured by way of mortgages. Refer to note 13.

Movements in carrying amounts

Movement in the carrying amounts for each class of non-current asset between the beginning and the end of the current financial year:

| | Leasehold Land and Buildings | Leasehold Improvements | Equipment | Website Development | Total |
|---|------------------------------------|---------------------------|---------------|------------------------|------------------|
| | \$ | \$ | \$ | | \$ |
| Carrying amount as at 1 July 2017 | 6,495,625 | 12,326 | 11,708 | - | 6,519,659 |
| Additions | - | 137,898 | 42,600 | - | 180,498 |
| Depreciation and amortisation expense | (109,375) | (5,807) | (8,290) | - | (123,472) |
| Carrying amount as at 30 June 2017 | 6,386,250 | 144,417 | 46,018 | - | 6,576,685 |
| Additions | - | - | 30,461 | 16,469 | 46,930 |
| Revaluation increase | 1,033,125 | - | - | - | 1,033,125 |
| Depreciation and amortisation expense | (109,375) | (15,207) | (15,795) | - | (140,377) |
| Carrying amount as at 30 June 2018 | 7,310,000 | 129,210 | 60,684 | 16,469 | 7,516,363 |

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 7. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|--------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Trade payables | 140,237 | 114,696 |
| Accrued expenses | 39,190 | 57,039 |
| Rent received in advance | 107,773 | 87,013 |
| PAYG | 14,073 | 13,407 |
| Other payables | 58,534 | 103,107 |
| | <u>359,807</u> | <u>375,262</u> |

NOTE 8. EMPLOYEE BENEFITS

CURRENT

| | | |
|------------------------|----------------------|----------------------|
| Annual leave provision | 66,188 | 43,955 |
| Time-in-lieu provision | 585 | 2,956 |
| | <u>66,773</u> | <u>46,911</u> |

NOTE 9. CASH FLOW INFORMATION

Reconciliation of Cash Flow from operations with profit after income tax

| | | |
|---|-----------------------|-----------------------|
| Profit after income tax | 389,513 | 570,972 |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - Depreciation expense | 140,377 | 123,472 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| - Decrease/ (increase) in trade and other receivables | 13,815 | (21,447) |
| - (Increase) in prepayments | (2,381) | - |
| - (Decrease)/increase in accounts payable and other payables | (15,455) | 208,638 |
| - Increase in employee benefits | 19,862 | 2,405 |
| | <u>545,731</u> | <u>884,040</u> |

NOTE 10. FINANCIAL RISK MANAGEMENT

The Association's financial instruments consist mainly of deposits with banks, trade receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | | 2018 | 2017 |
|------------------------------|-------------|------------------|------------------|
| | | \$ | \$ |
| Financial assets | Note | | |
| Cash and cash equivalents | 4 | 1,567,013 | 1,068,212 |
| Trade and other receivables | 5 | 6,054 | 19,869 |
| | | <u>1,573,067</u> | <u>1,088,081</u> |
| Financial liabilities | | | |
| Trade and other payables | 7 | <u>359,807</u> | <u>375,262</u> |
| | | 359,807 | 375,262 |

The association's Finance, Audit and Risk Management Committee is responsible for, among other issues, monitoring and managing financial risk exposures of the association. The Committee monitors the association's transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk.

The committee members' overall risk management strategy seeks to ensure that the association meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

The main risks the association is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. There have been no substantive changes in the types of risks the association is exposed to, how these risks arise, or the Committee's objectives, policies and processes for managing and measuring the risks from the previous period.

a. Liquidity risk

Liquidity risk arises from the possibility that the association might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The association manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

b. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the association.

Credit risk is managed through maintaining procedures (such as the utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposure against such limits, and monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10. FINANCIAL RISK MANAGEMENT (Continued)

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the committee has otherwise cleared as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

Risk is minimised in the rental bonds held that are available for use to cover arrears if the tenant vacates the property.

The association has no significant concentration of credit risk with any single counterparty or group of counterparties.

c. Market risk

Interest rate risk

The association is not exposed to any significant interest rate risk.

Fair value estimation

The carrying values of financial assets and financial liabilities approximate fair values.

| | Footnote | 2018 | | 2017 | |
|------------------------------------|----------|--------------------|------------------|--------------------|------------------|
| | | Net Carrying Value | Net Fair Value | Net Carrying Value | Net Fair Value |
| | | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) | 1,567,013 | 1,567,013 | 1,068,212 | 1,068,212 |
| Trade and other receivables | (i) | 6,054 | 6,054 | 19,869 | 19,869 |
| Total financial assets | | 1,573,067 | 1,573,067 | 1,088,081 | 1,088,081 |
| Financial liabilities | | | | | |
| Trade and other payables | (i) | 359,807 | 359,807 | 375,262 | 375,262 |
| Total financial liabilities | | 359,807 | 359,807 | 375,262 | 375,262 |

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash on hand, accounts receivable and other debtors, and accounts payable and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Accounts payable and other payables exclude amounts relating to the provision for annual leave, which is outside the scope of AASB 139.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11. FAIR VALUE MEASUREMENTS

The association measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Leasehold land and buildings

The association does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categories fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in level 3.

Valuation techniques

The association selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the association gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

The following table provides the fair value of the association's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy.

| | | Level 1 | Level 2 | Level 3 | Total |
|--|------|----------|------------------|----------|------------------|
| | Note | \$ | \$ | \$ | \$ |
| Recurring fair value measurements: | | | | | |
| Leasehold land and buildings | 6 | - | 7,310,000 | - | 7,310,000 |
| Total assets recognised at fair value | | - | 7,310,000 | - | 7,310,000 |

NOTE 12. RELATED PARTY TRANSACTIONS

The committee members of the association throughout the year were as follows:

- Sarah Phillips
- Craig Shannon
- Christine Murray
- Neil Skipper
- Adrian King
- Carol Croce
- Dr Cressida Limon

A director in the listing above is the managing partner of a firm that Havelock Housing Association engaged. All transactions were made on normal commercial terms and conditions and at market rates.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the association, directly or indirectly, including its committee members, is considered key management personnel.

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| Key management personnel compensation: | | |
| Short-term employee benefits | 463,697 | 416,038 |
| Other long-term employee benefits | 43,068 | 37,628 |
| | 506,765 | 453,666 |

NOTE 13. CONTINGENT LIABILITIES

The ACT Government has signed mortgages with the association which protect its interest in the leasehold land and buildings as disclosed in note 6.

Under the terms and conditions of the mortgage, the mortgage would normal only be crystallised and actionable by the ACT Government if there is a breach of an of the specified conditions as set out in clause 3 of the annexure to the Memorandum of Mortgage. Examples where the association would be liable to settle the liability to the ACT Government would be where the association:

- Ceases to use the property for the agreed purposes
- Fails to maintain the property adequately
- Becomes insolvent/bankrupt, seeks to come to an arrangement with its creditors or otherwise cannot continue to trade, etc.
- Wishes to sell or otherwise dispose of the property
- Seeks to remove the mortgage

HAVELOCK HOUSING ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14. SUBSEQUENT EVENTS

There have been no events after balance sheet date which require disclosure in the financial statements.

NOTE 15. ASSOCIATION DETAILS

The registered office of the association is:

Havelock Housing Association Incorporated
85 Northbourne Avenue
TURNER ACT 2612

HAVELOCK HOUSING ASSOCIATION INCORPORATED
STATEMENT BY MEMBERS OF THE COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2018

The In the opinion of the Committee

1. The financial report, including notes, as set out on pages 4 to 19 are in accordance with the *Associations Incorporation Act (ACT) 1991*, and the *Australian Charities and Not-for-profits Commission Act 2012*, and
 - (a) Comply with the Accounting Standards; and
 - (b) Give a true and fair view of the Association's financial position as at June 30, 2018 and of its performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:



.....
Mr Craig Shannon, Chair



.....
Mr Adrian King, Treasurer

Dated this: 30th October 2018

RSM Australia Pty Ltd

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GPO Box 200 Canberra ACT 2601

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F +61 (0) 2 6217 0401

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Havelock Housing Association Incorporated for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PTY LTD

A handwritten signature in black ink that reads 'Ged Stenhouse'.

GED STENHOUSE

Director

Canberra, Australian Capital Territory

Dated: 1 November 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HAVELOCK HOUSING ASSOCIATION INCORPORATED

Opinion

We have audited the financial report of Havelock Housing Association Incorporated, which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the committee's declaration.

In our opinion, the financial report of Havelock Housing Association Incorporated has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the registered entity's financial position as at 30 June 2018 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Havelock Housing Association Incorporated in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in Havelock Housing Association Incorporated's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

The Committee Members of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the Committee Members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing Havelock Housing Association Incorporated's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Havelock Housing Association Incorporated or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM Australia Pty Ltd



Canberra, Australian Capital Territory
Dated: 1 November 2018

GED STENHOUSE
Director