

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Financial Statements

For the Year Ended 30 June 2020

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Contents

For the Year Ended 30 June 2020

	Page
Financial Statements	
Directors' Report	1
Auditor's Independence Declaration	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	36
Independent Audit Report	37

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Directors' Report For the Year Ended 30 June 2020

The directors present their report on The North Coast Community Housing Company Limited ("the Company") for the financial year ended 30 June 2020.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Robyn Hordern

Qualification/ Experience Local Government, Marketing, Tourism, Community Liaison, Small Business Management

Years as Director 8 Years

Special responsibilities Chair (from 1 July 2017); Member of the Remuneration and CEO's Appraisal Committee; Chair of the Marketing and Media Committee; Member of the Nominations Committee; Board Representative on the Housing Alliance; Chair of the Alliance Social Enterprises Company Ltd (ASE)

Carolyn Parker

Qualification/ Experience Finance, Asset and Facilities Management, WHS

Years as Director 11 Years

Special responsibilities Vice Chair; Chair of the Audit, Finance and Risk Management Committee; Member of the Marketing and Media Committee; Member of the Nominations Committee; Chair of the Strategic Planning & Registration Committee. Board Representative on the Tenant Council

Margaret Kaszo

Qualification/ Experience Community Housing

Years as Director 4 Years

Special responsibilities Member of the Strategic Planning and Registration Committee; Member of the Marketing & Media Committee; Member of the Property and Development Committee; Board Representative on the Tenant Council

Anders Halvorsen

Qualification/ Experience Finance & Company Director

Years as Director 15 Years

Special responsibilities Chair of the Policy and Governance Committee; Chair of the Remuneration and CEO's Appraisal Committee; Chair of the Nominations Committee; Member of the Audit, Finance and Risk Management Committee

Janice Mangleson

Qualification/ Experience Real Estate, Public Health & Local Government

Years as Director 8 Years

Special responsibilities Member of the Marketing and Media Committee; Chair of the Property and Development Committee; Board Representative on the Reconciliation Action Plan (RAP)

Philip Belletty

Qualification/ Experience Government, Management, Facilities Management

Years as Director 3 Years

Special responsibilities Member of the Audit, Finance and Risk Management Committee; Member of the Property and Development Committee; Board representative on the Tenant Council

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Directors' Report For the Year Ended 30 June 2020

Information on directors (continued)

Bruce Casselden	(Resigned 6 May 2020)
Qualification/ Experience	Planning, Building & Environmental, Health
Years as Director	14 Years
Special responsibilities	Member of the Strategic Planning and Registration Committee; Member of the Policy and Governance Committee; Member of the Property and Development Committee; Member of the Remuneration and CEO's Appraisal Committee; Member of the Nominations Committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

All directors can attend any committee meeting (except the Remuneration and CEO's Appraisal Committee) and be paid an attendance fee.

Principal activities

The principal activity of The North Coast Community Housing Company Limited during the financial year were the provision of community housing to members of the regional community who are most in need of housing assistance, including the provision of housing to families, who were identified as homeless at the time of property allocation.

No significant changes in the nature of the Company's activity occurred during the financial year.

Corporate information and members guarantee

The North Coast Community Housing Company Limited is a 'not-for-profit' entity, registered as a company limited by guarantee. It does not issue shares to its members nor have the capacity to issue dividends to members. Any surplus on winding up will be distributed to an organisation which has similar objectives as dictated by the constitution. The Company is registered as a charity with the Australian Charities and Not-For-Profits Commission (ACNC). As a Public Benevolent Institution, it is endorsed to access GST concession, FBT and income tax exemptions. It is also endorsed as a Deductible Gift Recipient (DGR) covered by Item 1 of the table in section 30-15 of the *Income Tax Assessment Act 1997*.

In the event of, and for the purpose of winding up of the Company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$2 for all members, subject to the provisions of the Company's constitution.

At 30 June 2020 the number of members was 6 (2019: 7) and collective liability of members was \$12 (2019: \$14).

Operating results

The surplus of the Company for the financial year amounted to \$369,585 (2019: surplus of \$477,165).

The Company measures its performance based on meeting the primary strategies established in the three year strategic plan, which are:

- Customer service
- Organisation sustainability
- Growth.

No significant factors influenced the Company's performance in the past financial year.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Directors' Report For the Year Ended 30 June 2020

Review of operations

Coronavirus (COVID-19) has had minimal financial impact on the Company. Increases in Government support payments including the COVID supplement, Jobseeker and Jobkeeper payments to many of our tenants has meant rental income collections remain strong. Our subsidy income remains unaffected by the pandemic.

Events after the reporting date

The impact of COVID-19 on the broader Australian business environment is ongoing. Whilst effects to 30 June 2020 have been minimal, it is not possible to predict the flow-on effects, positive or negative, after the reporting date. The situation is rapidly developing and is strongly influenced by the Australian and NSW government responses, both social and financial to the pandemic. In addition, overseas event may impact both positively and negatively. Government responses could include quarantine and distancing requirements, state or local lockdowns, public health orders or economic stimulus.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Meetings of directors

During the financial year, there were 11 ordinary board of director meetings, 2 Policy & Governance Committee meetings, 4 Audit, Finance & Risk Management Committee meetings, NIL Marketing & Media Committee meetings, 1 Remuneration & CEO's Appraisal Committee meetings, 2 Property-Development Committee meetings, 1 Strategic Committee meetings, and NIL Nominations Committee meetings. Attendances by each director during the year were as follows:

	Board Meetings		Property & Development Committee		Strategic Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robyn Hordern	11	9	2	1	1	1
Carolyn Parker	11	11	2	1	1	1
Margaret Kaszo	11	10	2	1	1	1
Anders Halvorsen	11	11	2	1	1	1
Bruce Casselden	11	7	2	1	-	-
Janice Mangleson	11	11	2	2	1	1
Philip Belletty	11	11	2	2	1	1


	Audit, Finance & Risk Management Committee		Policy & Governance Committee		Marketing & Media Committee		Remuneration & CEO's Appraisal Committee		Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robyn Hordern	4	3	2	2	-	-	1	1	-	-
Carolyn Parker	4	4	2	1	-	-	-	-	-	-
Margaret Kaszo	4	3	2	1	-	-	-	-	-	-
Anders Halvorsen	4	4	2	2	-	-	1	1	-	-
Bruce Casselden	4	1	2	1	-	-	1	-	-	-
Janice Mangleson	4	3	2	1	-	-	-	-	-	-
Philip Belletty	4	4	2	1	-	-	-	-	-	-

The North Coast Community Housing Company Limited

ABN 97 002 685 761

**Directors' Report
For the Year Ended 30 June 2020**

Signed in accordance with a resolution of the Board of Directors:

Director: 

Robyn Hordern

Dated this 30th day of September 2020



AUDITOR'S INDEPENDENCE DECLARATION

As the lead audit partner for the audit of the financial report of The North Coast Community Housing Company Limited for the year ended 30 June 2020, 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.

Dated at Lismore this 30th day of September 2020.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:

.....
K R FRANEY (Partner)
Registered Company Auditor

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	5	13,334,169	13,260,343
Tenancy and property management expenses	6(a)	(8,622,498)	(8,820,531)
Administration expenses	6(b)	(4,342,086)	(3,962,647)
Surplus for the year		369,585	477,165
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met		-	-
Total comprehensive income for the year		369,585	477,165

The accompanying notes form part of these financial statements.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,938,238	1,354,635
Trade and other receivables	9	483,626	993,314
Contract assets	10	521,301	-
Other assets	11	223,382	206,947
TOTAL CURRENT ASSETS		3,166,547	2,554,896
NON-CURRENT ASSETS			
Trade and other receivables	9	192,260	192,260
Right-of-use assets	12	1,141,160	-
Property, plant and equipment	13	18,363,931	18,622,722
Investment properties	14	1,727,682	1,685,000
Intangible assets	15	102,173	179,509
TOTAL NON-CURRENT ASSETS		21,527,206	20,679,491
TOTAL ASSETS		24,693,753	23,234,387
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	410,954	408,952
Borrowings	17	464,430	363,162
Employee benefits	18	261,574	204,816
Contract liabilities (2019: Other liabilities)	19	1,682,429	1,731,864
Lease liabilities		478,368	-
TOTAL CURRENT LIABILITIES		3,297,755	2,708,794
NON-CURRENT LIABILITIES			
Borrowings	17	3,079,724	3,258,520
Employee benefits	18	50,857	86,630
Lease liabilities		715,389	-
TOTAL NON-CURRENT LIABILITIES		3,845,970	3,345,150
TOTAL LIABILITIES		7,143,725	6,053,944
NET ASSETS		17,550,028	17,180,443
EQUITY			
Retained earnings		17,550,028	17,180,443
TOTAL EQUITY		17,550,028	17,180,443

The accompanying notes form part of these financial statements.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Statement of Changes in Equity For the Year Ended 30 June 2020

2020

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2019	17,180,443	17,180,443
Net surplus/(deficit) for the year	369,585	369,585
Balance at 30 June 2020	17,550,028	17,550,028

2019

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2018	16,703,278	16,703,278
Net surplus/(deficit) for the year	477,165	477,165
Balance at 30 June 2019	17,180,443	17,180,443

The accompanying notes form part of these financial statements.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Statement of Cash Flows For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from clients and others	10,993,332	10,849,733
Payments to suppliers and employees	(11,707,054)	(12,241,535)
Government grants received	2,165,295	2,022,599
Interest received	335	375
Interest and other costs of finance	(62,117)	(98,790)
Net cash provided by/(used in) operating activities	1,389,791	532,382
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	4,000	11,134
Purchase of property, plant and equipment	(151,135)	(1,707,912)
Purchase of intangibles	(1,798)	-
Net cash used by investing activities	(148,933)	(1,696,778)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	4,359,936	4,854,082
Repayment of borrowings	(4,437,464)	(3,548,857)
Repayment of lease liabilities	(579,727)	-
Net cash used by financing activities	(657,255)	1,305,225
Net increase/(decrease) in cash and cash equivalents held	583,603	140,829
Cash and cash equivalents at beginning of year	1,354,635	1,213,806
Cash and cash equivalents at end of financial year	1,938,238	1,354,635
8(a)		

The accompanying notes form part of these financial statements.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers The North Coast Community Housing Company Limited as an individual entity. The North Coast Community Housing Company Limited is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of The North Coast Community Housing Company Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 30 September 2020.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-For-Profit Commissions (ACNC) Act 2012*. The Company is a not-for-profit entity for financial reporting purposes.

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Change in Accounting Policy

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* for the first time in the current year with a date of initial application of 1 July 2019.

The Company performed an impact assessment regarding the application of AASB 15 and AASB 1058. The assessment identified that the application of this standard had no impact on the Company.

The key changes to the Company's accounting policies and the impact on these financial statements from applying AASB 15 and AASB 1058 are described below.

AASB 15 and AASB 1058 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions* are related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has applied AASB 15 and AASB 1058 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related interpretations. As the adoption of AASB 15 and AASB 1058 has not resulted in any impact on the financial report, there has not been any adjustments taken to retained earnings at 1 July 2019.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Change in Accounting Policy (continued)

Leases - Adoption of AASB 16

The Company has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Company has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Change in Accounting Policy (continued)

Financial statement impact of adoption of AASB 16

The Company has recognised right-of-use assets of \$1,651,072 and lease liabilities of \$1,651,072 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.78%.

	\$
Operating lease commitments at 30 June 2019 financial statements	2,514,716
Discounted using the incremental borrowing rate at 1 July 2019	<u>2,379,193</u>
Add:	
Other adjustments	139,549
Less:	
Short-term leases included in commitments note	<u>867,670</u>
Lease liabilities recognised at 1 July 2019	<u><u>1,651,072</u></u>

3 Summary of Significant Accounting Policies

(a) Revenue and other income

For the comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Fees and charges for services

Revenue from fees and charges for services are recognised upon the provision of the service to the client.

Rental income

Rental income is earned on properties owned and controlled by the Company which is used to provide affordable housing. Rental income is recognised when earned.

Government grants

Government grants are recognised in the statement of profit or loss and other comprehensive income when the Company obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the Company and the amount of the grant can be measured reliably.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Government grants (continued)

When grant revenue is received whereby the Company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The North Coast Community Housing Company Limited receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

Revenue from contracts with customers

For the current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Fees and charges for services

Fees and charges are invoiced to tenants for the provision of property repairs and property outgoings as stipulated in each residential tenancy agreement. Revenue from provision of services is recognised in the accounting period in which the services are rendered.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Specific revenue streams (continued)

Rental income

Rental income is recognised in accordance with rental agreements between the tenant and the Company. Revenue is recognised in the statement of profit or loss and other comprehensive income as the accommodation is provided. Any rental service provided to a tenant that is unpaid at balance date is recognised as a receivable in the statement of financial position. Rent paid in advance at balance date is recognised as a contract liability in the statement of financial position.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Grants received by the Company where there is not specific performance obligations attaching are recognised as revenue on receipt of funding.

Capital grants

Capital grants received to enable the Company to acquire or construct an item of property, plant and equipment to identified specifications which will be under the Company's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Company.

Interest revenue

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

Donations

Donations and gifts are recognised as revenue when received and where applicable, any obligations are met.

(b) Expenses

All expenses are recognised in the profit or loss on an accruals basis.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(c) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. In addition, the Company's share of the profit or loss and other comprehensive income is included in the financial statements.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Company's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Company will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

(d) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(f) Leases

For the comparative year

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

For the current year

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

Exceptions to lease accounting

The Company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value/concessionary leases

The Company holds 684 dwellings (approximately 70% of its housing stock) under lease with the NSW Land & Housing Corporation. The lease has significantly below market terms. At the present time, the lease has passed its contracted end date and continues on a rolling basis. The lease is currently being renegotiated and there is no indication that the lease will not be renewed or replaced for an extended period. The current lease (and proposed replacement) impose several significant restrictions on the use of the underlying assets, and requirements on the Company include registration as a Community Housing Provider under the National Regulatory System Community Housing.

(g) Trade and other receivables

Trade and other receivables are recognised and carried at original charged amounts less an allowance for doubtful debts. The carrying amount of the receivable is deemed to reflect fair value. Collectability of receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Company may not be able to collect the amounts due.

(h) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

The Company's financial assets are divided into the following categories which are described in detail below:

- amortised cost; and
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Amortised cost

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Fair value through other comprehensive income

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

Fair value through profit and loss

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the simplified approach to measure expected credit losses. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

Notes to the Financial Statements For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Cost includes purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Buildings	50 years
Furniture, Fixtures and Fittings	3-20 years
Motor Vehicles	4 years
Computer Software	1-5 years
Leasehold improvements	Term of lease

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(j) Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and will be subsequently measured at fair value.

Fair value of investment properties are to be assessed annually and comprehensively re-valued at least every 3 years by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued. Fair values are to be determined by the valuer using market information, including prices for similar properties in comparable locations.

Changes to fair values of investment properties are recognised in profit or loss in the period in which they occur.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(k) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is any evidence of impairment for its non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Company, if deprived of the asset, would replace its remaining future economic benefits, value in use shall be determined at the depreciated replacement cost of the asset.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(l) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. The carrying amount of creditors and payables is deemed to reflect fair value.

(m) Borrowings and borrowing costs

Borrowings are carried at amortised cost.

All borrowing costs are recognised as an expense in the period in which they are incurred.

(n) Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries, employee incentives and leave entitlements. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(n) Employee Benefits (continued)

No provision is made for personal leave entitlements.

Other long-term employee benefits

The Company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

(o) 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 (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(p) Economic dependence

The Company is largely dependent on State Government funding for revenue which subsidises rental income and other core operational activities. At the date of this report, the Board of Directors has no reason to believe the government will not continue to support the Company.

(q) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 1 July 2018. The adoption of these standards has had no impact on the reporting financial position, performance or cash flow of the Company. Refer to Note for details on changes in accounting policies due to the adoption of AASB 9.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Summary of Significant Accounting Policies (continued)

(r) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards. Management is currently assessing the impacts of Accounting Standards issued but not yet effective on the Company's financial reporting

4 Critical Accounting Estimates and Judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgements - COVID-19

Judgement has been exercised in considering the impacts that COVID-19 has had, and may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, our clients and their needs, our suppliers and contractors, our staff and to the geographical zones in which we operate. Other than as noted in specific notes to these financial statements, there does not currently appear to be either significant impact upon the financial statements of the Company, nor any significant uncertainty with respect to events or conditions which may impact the Company as at the reporting date, or subsequently, as a result of the COVID-19 pandemic.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

5 Revenue and Other Income

Revenue from continuing operations

	2020	2019
	\$	\$
Rental income	<u>10,170,861</u>	10,001,834
Government grants		
- Government grants - operational	2,128,553	2,359,177
- National Rental Affordability Scheme Subsidy	<u>307,934</u>	141,132
Total government grants	<u>2,436,487</u>	2,500,309
Other income		
- Interest income	335	375
- Fees and charges	590,802	609,400
- Insurance claims	58,701	49,186
- Other income	<u>76,983</u>	99,239
Total other income	<u>726,821</u>	758,200
Total revenue and other income	<u>13,334,169</u>	13,260,343

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated as follows:

	2020
	\$
Main income	
- Subsidies	307,934
- Grant funding	2,128,553
- Rental income	<u>10,170,861</u>
Revenue from contracts with customers	<u>12,607,348</u>
Geographical regions	
- Australia - NSW	<u>12,607,348</u>
Revenue from contracts with customers	<u>12,607,348</u>
Timing of revenue recognition	
- Services transferred over time	<u>12,607,348</u>
Revenue from contracts with customers	<u>12,607,348</u>

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

6 Expenses

(a) Tenancy and property management expenses

	2020	2019
Note	\$	\$
Bad and doubtful debts	264,788	320,359
Insurance	569,847	488,073
Borrowing costs:		
Interest expense on loans	62,254	83,803
Interest expense on lease liability	77,890	-
Leasehold rent expense (short-term leases)	3,039,326	3,508,421
Rates and utility charges	1,930,337	1,850,681
Repairs and maintenance	2,570,408	2,461,942
Other expenses	107,648	107,252
Total tenancy and property management expenses	8,622,498	8,820,531

(b) Administration expenses

Depreciation and Amortisation

Depreciation:

Buildings	303,137	303,100
Equipment, furniture & fittings	29,033	30,732
Motor vehicles	32,458	36,652
Right-of-use assets	554,434	-

Amortisation:

Leasehold improvements	2,615	34,121
Software	79,135	80,962

Total depreciation and amortisation

Salaries, fees and oncosts	2,601,670	2,619,389
Board expenses	117,531	118,246
Office rent	7,620	70,512
Audit services	28,339	25,422
Other expenditure	586,114	643,511
Total administration expenses	4,342,086	3,962,647

7 Significant Items

Significant flooding in March 2017 and fires in September 2017 and January 2018 occurred in the Company's service area. Significant costs were incurred repairing property occupied by tenants and was funded by insurance proceeds.

Income

- Insurance claims (flood)	5	-	49,186
- Insurance claims (other)	5	58,701	-

Expenditure

- Repairs and maintenance (fire)	6(a)	-	63,000
- Repairs and maintenance (other)	6(a)	55,913	-

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

8 Cash and Cash Equivalents

	2020	2019
Note	\$	\$
Cash on hand	600	600
Cash at bank	1,937,638	1,354,035
Total cash and cash equivalents	1,938,238	1,354,635

(a) Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	8	1,938,238	1,354,635
Balance as per statement of cash flows		1,938,238	1,354,635

9 Trade and Other Receivables

CURRENT

Rent and non-rent debtors		882,965	854,849
Provision for doubtful debts - rent and non-rent	9(b)	(636,208)	(575,839)
		246,757	279,010
Leasehold bonds		222,992	242,632
GST receivable		13,877	63,667
Other receivables		-	408,005
Total current trade and other receivables		483,626	993,314

The Company has recognised a loss of \$266,224 (2019: \$320,359) in respect of receivables for the year ended 30 June 2020.

NON-CURRENT

No security loan to related entity	9(c)	192,260	192,260
Total non-current trade and other receivables		192,260	192,260

(a) Aged analysis

The ageing analysis of rent and non-rent receivables is as follows:

Rent 0-60 days		129,433	89,672
Rent >60 days		109,055	193,551
Non-rent		595,722	571,626
Provision for impairment		(636,208)	(575,839)
		198,002	279,010

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

9 Trade and Other Receivables (continued)

(b) Impairment of receivables

Reconciliation of changes in the provision for impairment of rent and non-rent receivables is as follows:

	2020	2019
	\$	\$
Balance at beginning of the year	575,839	453,695
Additional impairment loss recognised	266,224	320,359
Provision used	(205,855)	(198,215)
Balance at end of the year	636,208	575,839

(c) No security loan to related entity

The unsecured loan has been provided to an associated entity on interest only terms. The loan repayment terms for principle and interest is 31 January 2022 or when the Associate has returned an operating surplus for a period greater than one year and also has sufficient funds to make the repayment.

10 Contract Assets

	2020	2019
	\$	\$
CURRENT		
Accrued government grants	456,571	-
Accrued fees and charges	64,730	-
Total current contract assets	521,301	-

11 Other Assets

	2020	2019
CURRENT		
Prepayments	221,019	206,947
Borrowing costs	2,363	-
Total current other assets	223,382	206,947

12 Leases

The Company has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Company as a lessee

The Company has lease contracts over land and buildings for the provision of accommodation to eligible tenants.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Residential tenancy lease terms are between one and five years and are reviewed on an annual basis against market.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

12 Leases (continued)

Right-of-use assets

	Buildings	Total
	\$	\$
Year ended 30 June 2020		
Adjustment on adoption of AASB 16 on 1 July 2019	1,651,072	1,651,072
Add: Additions	44,522	44,522
Less: Accumulated depreciation	(554,434)	(554,434)
Balance at end of year	1,141,160	1,141,160

13 Property, plant and equipment

	2020	2019
	\$	\$
Land & buildings		
At cost	20,158,686	20,088,234
Accumulated depreciation	(1,956,573)	(1,653,436)
Total land & buildings	18,202,113	18,434,798
Motor vehicles		
At cost	248,051	247,402
Accumulated depreciation	(198,895)	(186,898)
Total motor vehicles	49,156	60,504
Equipment, furniture & fittings		
At cost	319,901	303,010
Accumulated depreciation	(207,239)	(178,205)
Total equipment, furniture & fittings	112,662	124,805
Leasehold improvements		
At cost	195,120	195,120
Accumulated depreciation	(195,120)	(192,505)
Total leasehold improvements	-	2,615
Total property, plant and equipment	18,363,931	18,622,722

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Property, plant and equipment (continued)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold Land & Buildings	Motor Vehicles	Equipment, Furniture & Fittings	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2020					
Balance at the beginning of the year	18,434,798	60,504	124,805	2,615	18,622,722
Additions	70,452	21,110	16,891	-	108,453
Disposals - written down value	-	-	-	-	-
Depreciation/amortisation expense	(303,137)	(32,458)	(29,033)	(2,615)	(367,243)
Balance at the end of the year	18,202,113	49,156	112,663	-	18,363,932

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Investment Property

	2020	2019
	\$	\$
Balance at beginning of the year	1,685,000	1,685,000
Fair value movement	42,682	-
Balance at end of the year	1,727,682	1,685,000

The investment property situated at 107-109 Molesworth Street, Lismore, is measured at fair value on a recurring basis. The carrying value of the property represents the fair value.

15 Intangible Assets

Software

Cost	440,763	438,964
Accumulated amortisation	(338,590)	(259,455)
Total intangibles	102,173	179,509

(a) Movements in carrying amounts of intangible assets

	Software	Total
	\$	\$
Year ended 30 June 2020		
Balance at the beginning of the year	179,509	179,509
Additions	1,799	1,799
Amortisation	(79,135)	(79,135)
Closing value at 30 June 2020	102,173	102,173

16 Trade and other payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	12,154	49,808
Payroll expenses payable	90,149	148,355
Sundry payables and accrued expenses	308,651	210,789
Total current trade and other payables	410,954	408,952

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Borrowings

	2020	2019
	\$	\$
CURRENT		
<i>Secured liabilities:</i>		
Bank loans	455,160	353,892
Other loans	9,270	9,270
Total current borrowings	464,430	363,162
NON-CURRENT		
<i>Secured liabilities:</i>		
Bank loans	3,027,423	3,198,915
Other loans	52,301	59,605
Total non-current borrowings	3,079,724	3,258,520

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

Securities pledged

The land and buildings at 495 Ballina Road, Goonellabah; 34 Dry Dock Road, Tweed Heads; 14 Bangalow Road, Byron Bay; 58 Moon Street, Ballina and 107-109 Molesworth Street, Lismore are subject to a mortgage held by Westpac Banking Corporation as security for the financing arrangements provided to purchase and construct the facilities at each site, and to finance future property acquisitions or developments.

At balance date, the Company's Business Loans facility is \$5,144,202 (2019: \$4,153,409). At 30 June 2020, the Company has access to unutilised borrowing facilities of \$1,661,619 (2019: \$600,602)

18 Employee Benefits

CURRENT		
Long service leave	68,934	14,619
Annual leave	192,640	190,197
Total current employee benefits	261,574	204,816
NON-CURRENT		
Long service leave	50,857	86,630
Total non-current employee benefits	50,857	86,630
(a) Movements in employee benefits		
Balance at beginning of the year	291,445	233,757
Additional provisions raised during the year	197,753	232,171
Amounts paid	(176,766)	(174,483)
Balance at end of the year	312,432	291,445

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Contract Liabilities (2019: Other Liabilities)

	Note	2020 \$	2019 \$
CURRENT			
Rent received in advance		524,328	415,867
Deferred government grants		1,158,101	1,315,997
Total current contract liabilities		1,682,429	1,731,864

Deferred government grants represents funds received in advance from the NSW Department of Family & Community Services. The funding is to be used to provide affordable and stable medium term housing assistance to eligible clients who have been displaced by floods via rental subsidies for a period of up to three years covering 30 properties.

20 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

Financial assets at amortised cost:

- Cash and cash equivalents	8	1,938,238	1,354,635
- Trade and other receivables	9	675,886	1,185,574

Total financial assets

2,614,124 2,540,209

Financial Liabilities

Financial liabilities at amortised cost

- Trade and other payables	16	410,954	408,952
- Borrowings	17	3,544,154	3,621,682
- Lease liabilities		1,193,757	-

Total financial liabilities

5,148,865 4,030,634

21 Capital and Leasing Commitments

(a) Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	-	1,405,196
- between one year and five years	-	1,002,521
- later than five years	-	106,999

Total minimum lease payments

- **2,514,716**

Operating leases relate to properties leased from third parties for the provision of housing to the Company's customers. Lease terms range from one to five years and typically increase by CPI on an annual basis. Operating leases for office branches are on a three year term subject to annual CPI increases.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

21 Capital and Leasing Commitments (continued)

(b) Capital commitments

At balance date, the Company had not entered into any material capital expenditure contracts.

22 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$791,290 (2019: \$710,854).

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 24: Related Parties.

23 Interests in Associates

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2020	Percentage Owned (%)* 2019
Alliance Social Enterprises Ltd (ASE)	Australia	33	33

* The percentage of ownership interest held is equivalent to the percentage voting rights.

ASE is a company limited by guarantee, incorporated and domiciled in Australia. ASE was incorporated on 5 July 2016 and was established to provide community housing in New South Wales and nationally.

ASE's main objective is to assist its members to provide community housing and develop a social value bank in Australia. The Company accounts for its share of the ASE net assets and operations using the equity method of accounting.

ASE has recently been established and has not yet generated profits. As a result, the Company has not recognised any investment in ASE or its share of the operating losses incurred to-date. The Company's share of the operating result and net liabilities are disclosed below. Unaudited June 2019 results have been used as audited results for the year ended 30 June 2020 are not yet available.

	2020	2019
	\$	\$
Share of operating result for the year ended 30 June	299	(26,394)
Share of net liabilities as at 30 June	(114,532)	(95,584)

Guarantees and Commitments

The Company does not guarantee any of ASE's operations or losses. In the event of ASE being wound up, the Company is required to contribute \$100 toward payment of debts and liabilities of ASE as required by its constitution.

The Company does not have any capital commitments relating to its share in ASE at balance date.

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

24 Related Parties

(a) The Company's main related parties are as follows:

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

Directors who held office during the course of the financial year are disclosed in the Directors' Report.

For details of remuneration disclosures relating to key management personnel, refer to Note 22: Key Management Personnel Disclosures.

From time to time directors of the Company, or director-related entities, may purchase/supply goods or services from/to the Company. The purchases/supplies are on the same terms and conditions as those entered into by other Company employees, customers or suppliers. The Company may pay for travel, accommodation, membership and personal development to directors in their position relating to Company business, however these payments are not classified as key management compensation.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Note	2020 \$	2019 \$
Associate			
Loans advanced to Alliance Social Enterprises Ltd	9(c)	192,260	192,260
Interest on loan	9(c)	5,322	5,643

25 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 each towards meeting any outstandings and obligations of the Company. At 30 June 2020 the number of members was 6 (2019: 7).

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Notes to the Financial Statements For the Year Ended 30 June 2020

26 Contingencies

Contingent Liabilities

The North Coast Community Housing Company Limited had the following contingent liabilities at the end of the reporting period:

Purposes Deed Arrangements

Properties held by the Company at 8 Eagle Avenue, Ballina; 79 Coral Fern Circuit, Murwillumbah and 61C Teven Road, Alstonville are subject to Purpose Deeds executed with the Department of Social Services. These Purposes Deeds require the Company to provide supported accommodation places for individuals with severe or profound disability at the sites for a period of 11 years commencing 1 June 2013 and expiring on 1 June 2024.

If a breach of the Purposes Deed occurs within the first half of the 11 year period, 100% of the funding received is to be repaid. If the breach occurs within the second half of the 11 year period, the repayment amount is reduced in equal proportions of the total amount of funding for each completed year until the end of the period.

27 Events after the end of the Reporting Period

The impact of COVID-19 on the broader Australian business environment is ongoing. Whilst effects to 30 June 2020 have been minimal, it is not possible to predict the flow-on effects, positive or negative, after the reporting date. The situation is rapidly developing and is strongly influenced by the Australian and NSW government responses, both social and financial to the pandemic. In addition, overseas event may impact both positively and negatively. Government responses could include quarantine and distancing requirements, state or local lockdowns, public health orders or economic stimulus.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

28 Company Details

The registered office of the Company is:

The North Coast Community Housing Company Limited
Level 1, 107 Molesworth Street
Lismore NSW 2480

The principal places of business are:

Lismore Branch
Level 1, 107 Molesworth Street
Lismore NSW 2480

Tweed Branch
Units 9 & 10, 2 Blundell Boulevard
Tweed Heads South NSW 2486

Grafton Branch
119 Pound Street
Grafton NSW 2460

The North Coast Community Housing Company Limited

ABN 97 002 685 761

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 35, are in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Robyn Hordern

Dated this 30th day of September 2020



**Independent Auditor's Report
To the Members of The North Coast Community Housing Company Limited**

Report on the audit of the financial report

Opinion

We have audited the financial report of The North Coast Community Housing Company Limited ("the Entity") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Entity is 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 Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* of our report. We are independent of the Entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the director's report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



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

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:

A handwritten signature in black ink, which appears to read 'K R Franey', is written over a horizontal dotted line.

K R FRANEY (Partner)

Dated at Lismore this 30th day of September 2020