



*(A.B.N 78 115 629 662)*

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*General Purpose Financial Report for the Year  
Ended 30 June 2014*

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## **DIRECTORS' REPORT**

Your directors present their report on the company for the year ended 30 June 2014.

### **OBJECTIVES**

The short term objectives of Foundation Housing are to:

- Complete the existing development projects to meet our growth commitments under our agreements with the Housing Authority.
- Create new property development/funding opportunities to continue our portfolio growth whilst maintaining our future financial sustainability imperative.
- Implement a measure of tenant wellbeing and identify influencing support to improve their wellbeing.
- Continue to shape and influence community housing policy and regulation with Western Australia.
- Review and implement changes to our information systems to enhance our service delivery, business performance and management.
- Review and implement improvements to the environment in which our staff work and continue their development in line with the culture and values of our organisation.
- Review our constitution to ensure that it continues to comply with regulation and address the risks to our business as it develops into the future.
- Review and reset our lodging house strategy to better meet needs of tenants in a sustainable and safe manner.
- Improve our internal asset management capabilities and review options for suitable outsourcing partners to better risk manage our growing portfolio.
- Focus on 2014/15 prioritised continuous business improvement initiatives to achieve operational excellence.
- Build our management team further and take further steps to ensure we can attract and retain committed staff who enhance our culture of service, on-going learning and seeking a better way.

The long term objectives of Foundation Housing are encapsulated in its mission which is to be a world class social enterprise making a measurable difference to the lives of people in need, providing homes that enrich lives and communities. Our aim is to strategically grow our property portfolio to 5,000 properties. In pursuing this capacity growth Foundation Housing will strive to always:

- work in partnership with government and private organisations to provide quality, affordable homes in WA for households on lower incomes
- deliver thoughtfully designed and well located homes which give tenants the opportunity to participate fully in their community
- manage tenancies across a wide variety of client groups and rental markets
- adopt an approach which is financially and socially sustainable
- be recognised as a leader in our industry and an inspirational social enterprise
- be in a mutual obligation partnership with our tenants

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**DIRECTORS' REPORT (Continued)****PRINCIPAL ACTIVITIES**

The principal activity of the Company during the year was the supply and management of suitable rental accommodation for low income people in Western Australia.

The 2013/14 year saw the on-going development of our business with units of accommodation growing to 2,174 (6%).

The year saw the completion of a number of developments and major refurbishment projects:

- A 100 unit Foyer complex was completed in Leederville to provide student accommodation for disadvantaged youth in partnership with Anglicare WA, Central Institute of Technology and the Department of Housing.
- Thirty 1 and 2 bedroom dwellings were developed in Broome North.
- The major infrastructure refurbishment at our 190 room lodging house in Fremantle by the Department of Housing was completed and is now fully tenanted.

There were a number of other key milestones with:

- The portfolio in the Pilbara growing to 125 units of accommodation for key workers in Port Hedland.
- Our next major development of 70 units of accommodation at Bennett Street in Perth was given development approval and is going to tender early in the 2014/15 financial year.
- The finalisation of a new \$40 million borrowing facility with Bendigo Bank and the National Australia Bank under a club arrangement. At the end of the year the facility was drawn to \$20 million but will grow with the new Bennett St development.
- The commencement of a redevelopment of a property in Innaloo into 3 new units of accommodation.

**CORE BUSINESS STRATEGIES**

For the next three years Foundation Housing's core strategies are to:

- Quantify and improve wellbeing outcomes for tenants
- Strategically grow our portfolio with the 2020 target of 5,000 properties in mind
- Shape the policy context in which we operate
- Raise the profile of Foundation Housing
- Implement continuous business improvement to achieve operational excellence
- Attract and retain committed staff that enhance our culture of service, on-going learning and seeking a better way
- Further develop our constitutional governance framework to best meet the external and internal needs of the organisation

## ***DIRECTORS' REPORT (Continued)***

### **KEY PERFORMANCE MEASURES**

The following key performance indicators have been established:

- Financial performance against budget guidelines and industry benchmarks
- Growth in the units of accommodation to meet performance agreements following asset transfers from the government.
- Operational performance measured against budget and industry benchmarks including:
  - Vacancy rates
  - Rental arrears
  - Maintenance of assets
- Tenant satisfaction with our provision of services.
- Employee performance and satisfaction.
- Adherence to statutory and internal governance principles and practice.
- Compliance with contractual obligations with external parties.

**DIRECTORS' REPORT (Continued)****3. Directors**

The following persons were Directors in office at any time during or since the end of the year are:

**Mr Mike Gurry**  
**Mr Peter Hugh Lee**  
**Mr Mike Mouritz**  
**Mr John Franklyn**  
**Mr Andrew Quenby**  
**Mr David Boromeo (Resigned 30 August 2013)**  
**Ms Elena Jane Macrides**  
**Ms Josephine Buontempo**

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

**Directors' Information****Mr Mike Gurry**

## Qualifications

Bachelor of Science, Fellow Australian Institute of Company Directors, Fellow Australian Institute of Management, Senior Fellow Finsia

## Experience

Mr Gurry was the former Managing Director of HBF (1995-2007) and DMR Consulting Group Australia (1987-1995) and has held various marketing, management, and executive roles at IBM in Perth, Sydney, and New York (1971-1995). He is currently a professional Non Executive Director.

## Special Responsibilities

Chairing the Board of Directors and Chairman of the Governance Committee.

**Mr Peter Hugh Lee**

## Qualifications

Bachelor of Architecture, Registered Architect, Chartered Architect, Fellow Royal Australian Institute of Architects, Member of the Australian Institute of Directors.

## Experience

Mr Lee is a director of Hassell Architects (since 2004) and has been responsible for the design and project management of a diverse range of major local, national and international projects. He is an Adjunct Professor at Curtin University in Faculty of Humanities and is also on the Boards of FORM and Open House Perth.

## Special Responsibilities

Chair of the Development & Acquisitions Committee.

**Mr John Franklyn OAM**

## Qualifications

Mr Franklyn has a Bachelor of Science (Hons) and currently holds a Real Estate License.

## Experience

Mr Franklyn has had over 40 years experience within Real Estate / Property Management / Strata Management and Property Development. Has had experience in community support NGOs and was Chairman of Lifeline for 7 years and Chairman of the Ministerial Council for Suicide Prevention for 3 years.

## Special Responsibilities

Chair of the Tenancy Management & Enrichment Committee.

**DIRECTORS' REPORT (CONTINUED)****Mr Mike Mouritz**

## Qualifications

Bachelor of Science (Hons) Environmental Studies, Graduate of School of Social Sciences, PhD – City Policy and Sustainability

## Experience

Dr Mike Mouritz has over 15 years executive level experience in local and state government as well as senior roles in the private sector.

## Special Responsibilities

Chair of the Asset Management Committee.

**Mr Andrew Quenby**

## Qualifications

Bachelor of Commerce, CPA and Graduate Australian Institute of Company Directors.

## Experience

Mr Quenby has over 35 years experience in the private sector occupying various senior financial and management roles, including leading his own management consultancy practice for 10 years. He currently is an Associate Director of IBMS Pty Ltd.

## Special Responsibilities

Chair of the Finance and Audit Committee.

**Mr David John Boromeo**

## Qualifications

Grad.Dip. of Business Administration, MAICD

## Experience

Mr Boromeo has over 21 years experience in the finance industry having held various senior leadership and strategic management roles. He is currently a senior manager of Bendigo & Adelaide Bank.

## Special Responsibilities

Member of the Finance and Audit Committee.

**Ms Elena Jane Macrides**

## Qualifications

Bachelor of Science, Bachelor of Laws, Masters of Business Administration, GAICD.

## Experience

Ms Macrides has 21 years experience as a management consultant and solicitor specialising in corporate strategy development and implementation.

## Special Responsibilities

Member of the Governance Committee

**Ms Josephine Buontempo**

## Qualifications

Graduate Certificate in Migration Law & Practice, Certificate IV in Training & Assessment, Associate Diploma in Social Science.

## Experience

19 years' senior and executive management within the Not for Profit Sector in the areas of community law, family, children and youth services, housing, disability and education and employment. Currently in private practice.

## Special Responsibilities

Member of the Tenancy Management & Enrichment Committee

**DIRECTORS' REPORT (CONTINUED)****4. Meetings of Directors**

The number of Directors' meetings (including Sub-Committees) held during the period each Director held office during the financial year, with the number of meetings attended by each Director, is as follows:

Director	Directors		Meetings Finance & Audit		Development & Acquisitions	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr Michael Gurry (Chair)	8	6	-	-	-	-
Mr Peter Hugh Lee	8	7	-	-	9	8
Mr Mike Mouritz	8	6	-	-	-	-
Mr Andrew Quenby	8	8	11	11	-	-
Ms Elena Macrides	8	8	-	-	-	-
Ms Josephine Buontempo	8	6	-	-	-	-
Mr David Boromeo	2	1	2	-	-	-
Mr John Franklyn	8	7	-	-	-	-

Director	Governance		Meetings Asset Management		Tenancy Management & Enrichment	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr Michael Gurry (Chair)	-	-	-	-	-	-
Mr Peter Hugh Lee	-	-	-	-	-	-
Mr Mike Mouritz	-	-	9	7	-	-
Ms Elena Macrides	-	-	-	-	-	-
Mr Andrew Quenby	-	-	-	-	-	-
Ms Josephine Buontempo	-	-	-	-	10	6
Mr David Boromeo	-	-	-	-	-	-
Mr John Franklyn	-	-	-	-	10	8

**5. Contributions on Winding Up**

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the Constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the entity. At 30 June 2014, the total amount in aggregate that members of the Company are liable to contribute if the Company is wound up is \$2,200 (2013: \$2,200).

**Significant changes in state of affairs**

There were no significant changes in the state of affairs of the Company during the financial year ending 30 June 2014.

**Matters subsequent to the end of the financial year**

There are no matters or circumstance that has arisen since 30 June 2014 that has significantly affected the Company's operation, the results of those operations, or state of affairs in future financial years.

**Likely developments**

Likely developments have already been included in the Directors report.

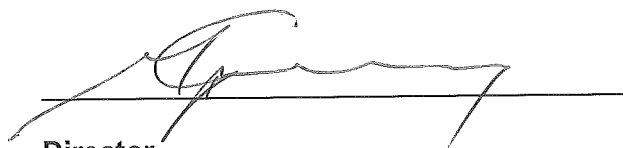
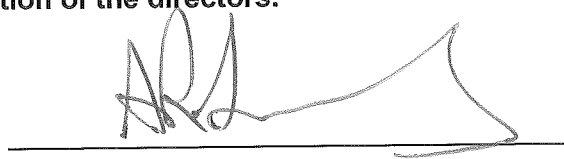


**DIRECTORS' REPORT (CONTINUED)**

**6. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the period ended 30 June 2014 has been received and can be found on page 10 of this report.

**This report is made in accordance with a resolution of the directors.**

  
Director  
Director

**Perth**

**Dated:** 23rd September 2014



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**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF FOUNDATION HOUSING LIMITED**

As lead auditor of Foundation Housing Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *ACNC Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

**Brad McVeigh**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 23 September 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	2014 \$	2013 \$
Revenue	2	37,125,975	34,265,545
Depreciation & Amortisation		(3,546,448)	(3,051,216)
Property Management expenses		(8,362,956)	(7,018,932)
Administration Expenses		(8,765,218)	(7,849,248)
Loss of Sale of Asset		(396,001)	-
Property Development Expenses		(50,228)	(6,030)
Finance Costs		(1,413,466)	(1,089,179)
<b>Surplus Before Income Tax</b>		<b>14,591,658</b>	<b>15,250,940</b>
Income Tax		-	-
<b>Surplus After Income Tax</b>		<b>14,591,658</b>	<b>15,250,940</b>
 <b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to surplus or deficit</i>			
Cash Flow Hedge	15	(163,286)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTIBLE TO THE MEMBERS</b>		<b>14,428,372</b>	<b>15,250,940</b>

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	6,831,743	4,162,720
Trade & Other Receivables	4	1,160,770	1,350,193
Other Assets	5	1,467,506	1,913,927
<b>Total Current Assets</b>		<u>9,460,019</u>	<u>7,426,840</u>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	6	149,752,005	136,267,398
Intangibles	7	70,972	147,404
<b>Total Non-Current Assets</b>		<u>149,822,977</u>	<u>136,414,802</u>
<b>Total Assets</b>		<u>159,282,996</u>	<u>143,841,642</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	10	3,000,289	3,523,957
Unearned Income	9	535,685	592,060
Borrowings	11	-	263,647
Derivative Financial Instruments	15	90,038	-
Short Term Provisions	12	489,602	477,925
<b>Total Current Liabilities</b>		<u>4,115,614</u>	<u>4,857,589</u>
<b>Non-Current Liabilities</b>			
Borrowings	11	20,000,000	18,325,802
Derivative Financial Instruments	15	73,248	-
Long Term Provisions	12	121,748	114,237
<b>Total Non-Current Liabilities</b>		<u>20,194,996</u>	<u>18,440,039</u>
<b>Total Liabilities</b>		<u>24,310,610</u>	<u>23,297,628</u>
<b>Net Assets</b>		<u><u>134,972,386</u></u>	<u><u>120,544,014</u></u>
<b>Equity</b>			
Hedge Reserve	14	(163,286)	-
Retained Surpluses		<u>135,135,672</u>	<u>120,544,014</u>
<b>Total Equity</b>		<u><u>134,972,386</u></u>	<u><u>120,544,014</u></u>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Hedge Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2012</b>	-	105,293,074	105,293,074
Surplus for the year ended 30 June 2013	-	15,250,940	15,250,940
<b>Total Comprehensive Income</b>	-	<b>15,250,940</b>	<b>15,250,940</b>
<b>Balance at 30 June 2013</b>	-	<b>120,544,014</b>	<b>120,544,014</b>
<b>Balance at 1 July 2013</b>	-	120,544,014	120,544,014
Hedging Reserve	(163,286)	-	(163,286)
Surplus for the year ended 30 June 2014	-	14,591,658	14,591,658
<b>Total Comprehensive Income</b>	<b>(163,286)</b>	<b>14,591,658</b>	<b>14,428,372</b>
<b>Balance at 30 June 2014</b>	<b>(163,286)</b>	<b>135,135,672</b>	<b>134,972,386</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	2014 \$	2013 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		23,174,093	18,124,167
Interest Received		117,648	94,313
Operating grants received		12,668,214	13,766,699
Payments to Suppliers and Employees		(15,937,395)	(15,942,209)
Interest Paid		<u>(1,413,466)</u>	<u>(1,089,179)</u>
<i>Net cash inflow from operating activities</i>	22	<u>18,609,094</u>	<u>14,953,791</u>
<b>Cash Flow from Investment Activities</b>			
Payments for Purchase of Land & Buildings		(14,398,154)	(21,687,980)
Payment for Department of Housing Properties		-	-
Payments for Purchase of Plant & Equipment, Furniture, Fittings & Leasehold Improvements		(2,952,468)	(2,902,399)
Payments for Intangibles		-	(26,677)
<i>Net cash outflow for investment activities</i>		<u>(17,350,622)</u>	<u>(24,617,056)</u>
<b>Cash Flow from Financing Activities</b>			
Proceeds from Capital Grants		-	-
Proceeds from Borrowings		20,000,000	9,803,586
Repayment of Borrowings		<u>(18,589,449)</u>	<u>(1,843,450)</u>
<i>Net cash inflow for financing activities</i>		<u>1,410,551</u>	<u>7,960,136</u>
<b>Net Increase(decrease) in cash and cash equivalents</b>		2,669,023	(1,703,129)
<b>Cash &amp; Cash at the beginning of the financial year</b>		<u>4,162,720</u>	<u>5,865,849</u>
<b>Cash &amp; Cash Equivalents at the end of the financial year</b>	3	<u><u>6,831,743</u></u>	<u><u>4,162,720</u></u>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is for Foundation Housing Limited as an individual entity, incorporated and domiciled in Australia. The address of the registered office is 131 Brisbane Street, Perth Western Australia 6000. Foundation Housing Limited is a Company limited by guarantee.

#### ***Basis of Preparation***

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the ACNC Act 2012. The Company is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial report, except for the cash flow information, 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 financial assets and financial liabilities. The financial report is presented in Australian dollars, which is the Company's functional currency. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the 23 September 2014 by the Directors of the Company.

#### **New, Revised or Amending Accounting Standards and Interpretations Adopted**

The company 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.

The company has early adopted AASB 1053 'Application of Tiers of Australian Accounting Standards', AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' and later amending Standards, as relevant. No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

*AASB 1053 Application of Tiers of Australian Accounting Standards*

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The company has early adopted AASB 1053 from 1 July 2012. This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The company being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2 and later amending Standards, as relevant.

*AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

The Company has early adopted AASB 2010-2 from 1 July 2012. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the Company's disclosure requirements.

*AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements*

*AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments*

*AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The company has applied the amendments to AASB 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

*AASB 2012.5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*

The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. Amendments made to AASB 1, AASB 101, AASB 116, AASB 132 and AASB 134. The application of these amendments does not have any material impact on the financial statements.

*AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039.*

This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the financial statements.

*AASB CF 2013-1 Amendments to the Australian Conceptual Framework and AASB 2013-9 Amendments to Australian Accounting Standards —Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)*



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the financial statements.

*AASB 13 'Fair Value Measurement', AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13', and AASB 2012-1 'Amendments to Australian Accounting Standards Fair Value Measurement — Reduced Disclosure Requirements'.*

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring Inventories or value in use for impairment assessment purposes).

AASB 9 'Financial Instruments' and its consequential amendments introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset, which is initially measured at fair value, is subsequently measured at amortised cost or fair value. To be classified and measured at amortised cost, financial assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held -for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains and losses through profit or loss on disposal.

The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'.

AASB 119 Employee Benefits (revised) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119.

Revised AASB 119 and its consequential amendments requires the Company to recognise changes in the value of plan assets and changes on the post-employment benefit obligations in the period in which they occur. The standard also requires the Company to recognise unvested past service costs in the period of the related plan amendments, i.e. the removal of the "corridor approach" for defined benefit plans. The Company shall present current and past

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

service costs, gains or losses on settlements and finance costs in profit or loss and all other changes, including the effect of re-measurement of the defined benefit liability or asset, in other comprehensive income. The expected return on plan assets is replaced by the Government bond rate. Additional disclosure are required relating the risks and amounts affecting the financial statements. The revised standard reduces some of the complexity and diversity that exists in practice. As there are very few defined benefit schemes in Australia, the post-employment revisions will have minimal impact for the Company.

Termination benefits are now to be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

The definition of short-term employee benefits has been revised which may have an impact on the Company with large annual leave balances. Short-term employee benefits are now defined as employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Some annual leave entitlements may become long-term in nature, e.g. employees who are allowed to accumulate annual leave and not required to take it in the following year. Such leave will now be measured at the present value of the estimated future cash flows, potentially reducing the liability recognised.

**Accounting Policies**

**a) Revenue Recognition**

Rental revenue represents revenue earned when the service has been provided. Revenue from the rendering of a service is recognised upon the delivering of a service to the customers.

Grant revenue is recognised in the Statement of Profit or Loss and Other Comprehensive Income when it is controlled. When there are conditions attached to the grant revenue relating to the use of those grants for specific purposes it is recognised in the Statement of Financial Position as a liability until such conditions are met or services provided.

Foundation Housing receives non-reciprocal contributions of assets from the Government for zero or 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.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Unexpended Grants/Unused Capital Funds**

The Company receives grant and capital monies to fund projects either for contracted periods of time or for specific projects irrespective of the period time required to complete those projects. It is the policy of the Company to treat the monies as unexpended grants and unused capital funds in the Statement of Financial Position where the Company is contractually obliged to provide the services in a subsequent financial period to when the funds are received or, in the case of specific project funds, where the related project work has not been completed.

**c) 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 Australian 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 Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**d) Income Tax**

No provision for income tax has been raised as 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 include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short term borrowings in current liabilities on the Statement of Financial Position.

**f) Financial Instruments**

**Recognition and Initial Measurement**

Financial Instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial Instruments are initially measured at fair value plus transaction costs where the instruments are classified as at fair value through profit or loss. Transaction costs related to instruments classified as fair value through profit or loss are expensed to profit or loss immediately. Financial Instruments are classified and measured as set out below.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***f) Financial Instruments (Continued)***

##### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### **Classification and Subsequent Measurement**

###### **(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 using the effective interest rate method.

###### **(ii) Financial Liabilities**

Non-derivative Financial Liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective rate method.

##### **Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

##### **Hedge Accounting**

Hedges of interest rate risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedges item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values of cash flows of the hedged item attributable to the hedged risk.

##### **Cash Flow Hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of Hedge Reserve. Any gains or losses relating to the ineffective portion are recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial Instruments (Continued)**

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**g) Borrowing Costs**

Interest for qualifying assets may be capitalised. All other borrowing costs are expensed.

**h) Impairment of Non-Financial Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

**i) Property, Plant and Equipment**

Each class of Property, Plant, and Equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of an item of property, plant, and equipment shall be derecognised when disposed of or when no future economic benefits are expected from its use. Any gains or losses shall be recognised in the profit and loss.

**Property**

Freehold land and buildings are measured on the cost basis less depreciation and impairment losses.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are valued at the fair value of the asset at the date it is acquired.

**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 to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of depreciated replacement cost.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i) Property, Plant and Equipment (Continued)**

Plant and Equipment that have been contributed at no cost or for nominal cost are valued at the fair value of the asset at the date it is acquired.

**Depreciation**

Fixed assets are depreciated on a straight line basis over their useful lives to the entity from the time the asset is held ready for use. Leasehold Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Freehold Buildings	2.50%	
Motor Vehicles	15.00%	
Property Plant and Equipment	10.00%	
Property Leasehold Improvements	10.00%	(Bathrooms, kitchens, flooring etc)
Property Leasehold Improvements	6.67%	(Roofs, electrical, plumbing etc)
Property Furniture and Fittings	10.00%	
Office Plant and Equipment	10.00%	
Office Furniture and Fittings	10.00%	
Office Leasehold Improvements	20.00%	
Computer Equipment	33.33%	

**i) Intangibles**

Intangibles are measured on the cost basis less amortisation and impairment losses.

**IT Development and Software**

Costs incurred acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. IT development costs include only these costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Company has an intention and ability to use the asset.

Software costs are assessed annually for impairment.

**Amortisation**

Amortisation is calculated on a straight line basis over their useful lives to the entity from the time the asset is held ready for use. The amortisation rate used is 33.33%.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

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

**k) Employee Benefits**

***Wages and Salaries and Annual Leave***

The Company's liability for employee benefits arising from services rendered by employees is provided for in the Statement of Financial Position. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash out-flows to be made for those benefits. Contributions are made by the Company to employees' superannuation funds and are charged as expenses when incurred.

***Long Service Leave***

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**l) Joint Ventures - Joint controlled assets**

The proportionate interests in the assets, liabilities and expenses of a Joint Venture activity have been incorporated in the financial statements under the appropriate headings.

**m) Trade and Other Payables**

The financial liability for 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n) Comparative Figures**

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

**o) Trade and Other Receivables**

Current Trade Receivables are non-interest bearing. Non-tenant debtors are generally on 30 day terms. Tenant debtors terms are payment on invoice date.

**p) Economic Dependence**

Foundation Housing Limited is dependent on the Department of Housing for the majority of its houses used to generate revenue and operate the business. At the date of this report the Board of Directors has no reason to believe the Department of Housing will not continue to support Foundation Housing Limited.

**q) Contributed Equity**

The Company is incorporated under the Corporation Act 2001 and is limited by guarantee and has no paid up capital.

**r) Borrowings**

Loans and Borrowings are initially recognised at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**s) Key Estimates – Critical Accounting Judgements, Estimates and Assumptions.**

**Estimation of Useful Lives of Assets**

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment, and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

**Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report 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 company.

**Key Estimates – Impairment**

**Impairment of Trade Receivables**

Included in accounts receivable is an impairment of Trade Receivables of \$421,763 (2013: \$574,355). This is based on the annual historical level of bad debts written-off as unrecoverable over the last two years and the age of the related debts.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**s) Key Estimates – Critical Accounting Judgements, Estimates and Assumptions.**  
**(Continued)**

**Provision for Non Current Employee Entitlements**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

**Fair Value Measurements and Valuation Processes**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>2. (a) Revenue</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Rendering of Services</i>		
Rental Revenue	21,964,117	17,535,413
Interest Revenue	128,569	102,527
Grant Income	7,606,421	3,527,926
Contributions	5,797,400	11,793,215
Sundry Revenue	1,629,468	1,306,464
	<u>37,125,975</u>	<u>34,265,545</u>

<b>(b) Expenses</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Operating activities</i>		
Impairment Losses – Trade receivables	717,469	468,674
Rental Expense on Operating Leases	323,793	310,799
Depreciation and Amortisation	3,546,448	3,051,216
Maintenance and Supplies for Tenancies	2,833,213	2,531,901
Rates & Taxes - Tenancies	2,573,744	2,209,391
Salary and On Costs	6,115,170	5,256,868
Superannuation Expense	512,537	425,885
Property Development expenses	50,228	6,030
Finance Costs	1,413,466	1,089,179
Loss on Sale of Asset	396,001	-
Other Operating Costs	4,052,247	3,664,662
	<u>22,534,316</u>	<u>19,014,605</u>

<b>3. Current Assets – Cash and Cash Equivalents</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash in Bank	3,064,201	3,235,881
Petty Cash	4,385	2,570
Term Deposits	-	130,213
Restricted Cash	3,763,157	794,056
	<u>6,831,743</u>	<u>4,162,720</u>

**Reconciliation of Cash**

Cash at end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and Cash Equivalents	6,831,743	4,162,720
Balance as per statement of cash flows	<u>6,831,743</u>	<u>4,162,720</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
<b>4. Current Assets – Trade and Other Receivables</b>		
Trade Receivables	588,029	1,113,303
Less: Provision for Impairment	(421,763)	(574,355)
Other Receivables	7,332	1,100
GST Receivables	95,710	390,943
Grant Receivables	891,463	419,202
	<u>1,160,770</u>	<u>1,350,193</u>

Current trade receivables are non-interest bearing. Non-tenant debtors are generally on 30 day terms. Tenant debtors terms are payment on invoice date.

A provision for impairment is based on the annual historical level of bad debts written-off as unrecoverable over the last two years and the age of the related debts.

Movement in the provision for impairment is as follows.

	2014 \$	2013 \$
Provision for impairment at beginning of year	574,355	364,332
Amounts written off (i)	(870,060)	(258,651)
Charge for year	717,468	468,674
Provision for impairment at end of year	<u>421,763</u>	<u>574,355</u>

(i) During the year the Company made a decision to change their bad debt policy to write off all vacated debt over 90 days where there was not a high probability of full recovery. To reflect this the Company made an entry of \$605,819 at the end of the year.

	2014 \$	2013 \$
<b>5. Current Assets – Other Assets</b>		
Accrued Income	477,163	1,656,076
Prepayments	990,343	257,851
	<u>1,467,506</u>	<u>1,913,927</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
<b>6. Non Current Assets – Property, Plant and Equipment</b>		
Land – at cost	61,288,528	57,617,456
Buildings – at cost	87,420,780	77,068,699
Accumulated Depreciation	(4,606,578)	(3,023,584)
	82,814,202	74,045,115
Office: Plant & Equipment - at cost	356,672	314,082
Accumulated Depreciation	(113,167)	(77,893)
	243,505	236,189
Office: Furniture & Fittings - at cost	191,836	165,756
Accumulated Depreciation	(70,888)	(52,357)
	120,948	113,399
Office: Leasehold Improvements - at cost	483,058	481,558
Accumulated Depreciation	(362,653)	(316,008)
	120,405	165,550
Motor Vehicles - at cost	28,077	28,077
Accumulated Depreciation	(28,077)	(28,077)
	-	-
Property: Plant & Equipment - at cost	697,813	503,569
Accumulated Depreciation	(210,983)	(153,928)
	486,830	349,641
Property: Furniture & Fittings - at cost	1,952,059	1,035,756
Accumulated Depreciation	(471,380)	(371,345)
	1,480,679	664,411
Leasehold Property: Refurbishment & Improvements - at cost	8,745,283	7,307,312
Accumulated Depreciation	(5,710,207)	(4,329,568)
	3,035,076	2,977,744
Computer Equipment – at cost	456,329	326,152
Accumulated Depreciation	(294,497)	(228,259)
	161,832	97,893
<b>Total Non Current Assets – Property, Plant &amp; Equipment</b>	<b>149,752,005</b>	<b>136,267,398</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**6. Non Current Assets - Property, Plant and Equipment (continued)**

**Movement in carrying amounts**

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

2014	Land \$	Buildings \$	Office Plant & Equip \$	Office Furn & Fittings \$	Office Lease hold improv \$	Property Plant & Equip \$	Property Furniture & Fittings \$	L/hold props refurbish & improvts \$	Comp & Printers \$	Total \$
Carrying amount at beginning of year	57,617,456	74,045,115	236,189	113,398	165,550	349,641	664,411	2,977,744	97,893	136,267,397
Additions	3,671,072	10,727,081	42,591	26,080	1,500	199,322	960,459	1,592,341	130,177	17,350,623
Revaluations	-	-	-	-	-	-	-	-	-	-
Disposals	-	(354,909)	-	-	-	(2,113)	(16,796)	(22,183)	-	(396,001)
Depreciation Expense	-	(1,603,085)	(35,275)	(18,530)	(46,645)	(60,020)	(127,395)	(1,512,826)	(66,238)	(3,470,014)
Carrying amount at end of year	61,288,528	82,814,202	243,505	120,948	120,405	486,830	1,480,679	3,035,076	161,832	149,752,000

The Company has entered into various joint venture arrangements with the Department of Housing, whereby the Company owns a proportion of land and buildings subject to these arrangements. The underlying land and buildings are subject to various caveats lodged against the titles. The arrangements limit the use and disposal rights of the properties.

Refer to Note 11 for information on non-current assets pledged as security by the Company.

**7. Non Current Assets – Intangible Assets**

	2014 \$	2013 \$
Software – at Cost	228,495	228,495
Accumulated Amortisation	(157,523)	(81,091)
Net Carrying Amount	70,972	147,404
<b>TOTAL NON CURRENT INTANGIBLES</b>	<b>70,972</b>	<b>147,404</b>

**Movement in carrying amounts for Intangibles**

2014	Software Costs \$
Carrying amount at beginning of year	147,404
Additions	-
Disposals	-
Amortisation Expense	(76,432)
<b>Carrying amount at end of year</b>	<b>70,972</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**8. JOINT VENTURE ARRANGEMENTS WITH THE DEPARTMENT OF HOUSING**

The Company also has legal title to further properties with value of \$8,119,878 (2013: \$8,119,878) but currently has no equitable interest, by virtue of joint venture agreements with the Department of Housing. Disposal rights of these properties are limited by agreement and caveat. These assets have not been brought to account in the financial statements for the year ended 30 June 2014.

	Note	2014 \$	2013 \$
<b>9. Current Liabilities – Unearned Income</b>			
Deferred Grant Income		94,242	197,909
Unused Capital Funds from DoH	(i)	-	147,125
Rental Income in Advance		441,443	247,026
		<u>535,685</u>	<u>592,060</u>

- (i) During the year monies advanced by the Department of Housing to the Company to fund projects has been fully utilised. The balance of the funds advanced from the previous year has now been used.

	2014 \$	2013 \$
Opening Balance	147,125	3,543,428
Amounts Received	4,327,920	10,484,730
Amounts Used	(4,475,045)	(13,881,033)
<b>Closing Balance</b>	<u>-</u>	<u>147,125</u>

	Note	2014 \$	2013 \$
<b>10. Current Liabilities – Trade &amp; Other Payables</b>			
Trade Creditors		413,131	523,291
Accrued Expenses		1,827,800	2,247,249
Tenant Bonds		104,058	65,854
Other Current Payables		<u>655,300</u>	<u>687,563</u>
	(i)	<u>3,000,289</u>	<u>3,523,957</u>

- i) The Current Liabilities are the total financial liabilities of the company for year ended 30 June 2014.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
<b>11. Current &amp; Non Current – Financial Liabilities</b>		
<b>Current Secured Liabilities – Borrowings</b>		
Mortgage Loans Payable	-	263,647
	-	263,647
<b>Non Current Secured Liabilities - Borrowings</b>		
Mortgage Loans Payable	20,000,000	18,325,802
	20,000,000	18,325,802
<b>Total Secured Liabilities (Current &amp; Non Current) - Borrowings</b>	20,000,000	18,589,449

Mortgage loans are secured by way of a first registered mortgage over the Company's share of freehold land and buildings owned.

	2014 \$	2013 \$
<b>Loan Facilities</b>		
- Mortgage Loan Facilities	40,000,000	23,121,570
- Amount utilised	(20,000,000)	(18,589,449)
	20,000,000	4,532,121
	20,000,000	4,532,121

The major facilities are summarised as follows:-

The Mortgage Loan outstanding \$20,000,000 (2013: \$18,589,449) are interest only loans. The quarterly cash outlays of approximately \$220,000 are required to service the borrowing facility. Foundation Housing Ltd uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. The Company as at 30 June 2014 has no approved undrawn loan facilities to meet future contractual commitments.

The carrying amounts of assets pledged as security for borrowings are:

Land and Buildings	126,045,183	126,479,574
<b>Total Assets Pledged As Security</b>	126,045,183	126,479,574

The Company has given a fixed and floating charge (debenture) over their assets in favour of the Security Trustee, National Australia Bank Limited, as security trustee of the Foundation Housing Security Trust.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
<b>12. Current &amp; Non Current Liabilities – Employee Benefits</b>		
<b>Current Employee Entitlements</b>		
Opening Balance	477,925	443,884
Additional Provision Raised	381,517	328,142
Amounts Used	(369,840)	(294,101)
<b>TOTAL CURRENT</b>	489,602	477,925
<b>Non Current Employee Entitlements</b>		
Opening Balance	114,237	62,288
Additional Provision Raised	7,511	51,949
Amounts Used	-	-
<b>TOTAL NON CURRENT</b>	121,748	114,237
<b>TOTAL PROVISIONS</b>	611,350	592,162
<b>Number of employees at year end</b>	95	92

**13. Equity**

The Company is incorporated under the Corporations Act 2001 and is limited by guarantee and has no paid up capital. The members' guarantee is limited to \$100. Members of the Company will be any person, corporations or organisations who have agreed in writing to support the objects specified in the Constitution and whom the Directors have agreed to admit to membership.

At general meetings each member is entitled to one vote when a poll is called, otherwise each member has one vote on a show of hands.

At 30 June 2014 the number of members was 22 (2013: 22).

**14. Equity - Cash Flow Hedge Reserve**

	2014 \$	2013 \$
<b>Balance at beginning of year</b>	-	-
Interest rate swaps	163,286	-
<b>Balance at end of year</b>	163,286	-

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be classified to profit and loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**15. Financial Instruments**

**Interest rate swap contracts**

The fair value of interest rate swap contracts designated as cash flow hedges outstanding at the end of the reporting period is \$163,286 (2013: \$nil).

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

<b>Derivative Financial Instruments</b>	<b>2014</b> \$	<b>2013</b> \$
<b>Current – Derivative Financial Instruments</b>		
NAB – Interest rate hedge	45,686	-
Bendigo – Interest rate hedge	44,352	-
	<u>90,038</u>	<u>-</u>
<b>Non Current – Derivative Financial Instruments</b>		
NAB – Interest rate hedge	36,630	-
Bendigo – Interest rate hedge	36,618	-
	<u>73,248</u>	<u>-</u>
<b>Total Derivative Financial Instruments</b>	<u>163,286</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**16. Key Management Personnel Compensation**

2014	Total \$
Total compensation	981,061

2013	Total \$
Total compensation	1,000,496

**17. Contingent Liabilities**

There are no contingent liabilities at reporting date.

**18. Events Subsequent to Reporting Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

**19. Company Details**

The Company's registered office and principal place of business is 131 Brisbane Street, PERTH WA 6000.

**20. Related Party Transactions**

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

During the year a Company controlled by Mr P Lee (Hassell Ltd), a Director, provided architectural services to the Company for \$5,000 (2013: \$4,999). There is \$5,000 payable at 30 June 2014 (2013: \$Nil).

Also during the year RQE Group controlled by Mr A Quenby, provided professional services to the Company for \$2,640 (2013: \$3,135). There is \$Nil payable at 30 June 2014 (2013: \$Nil).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**21. Commitments**

**Operating Lease**

Non-cancellable Operating Leases contracted for but not capitalised in the financial statements:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Payable – minimum lease payment		
- not later than 12 months	701,386	683,747
- between 12 months and 5 years	591,933	1,273,382
- longer than 5 years	-	-
	<u>1,293,319</u>	<u>1,957,129</u>

**Construction Contracts**

The Company constructs premises in joint ventures with the Department of Housing (DoH). During the current financial year, the Company signed contracts which committed them to the cost of land and construction. All projects under committed contracts are expected to be completed by 30 June 2014. The DoH provides some capital funding for the projects.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Payable not later than 12 months	623,188	4,883,073
Payable later than 12 months	-	-
less Unused Capital Funds received from DoH	-	(128,919)
less Amounts due from DoH	-	(2,227,984)
Amount to be funded by Foundation Housing Limited	<u>623,188</u>	<u>2,526,170</u>

**Long Term Maintenance**

The Company leases numerous properties from the Department of Housing (DoH) under operating lease agreements. The Company sub-lets these properties, manages and maintains them in accordance with the terms of the operational guidelines.

A Community Housing Agreement (CHA) was signed on 1 October 2010 with the Department of Housing; the Company does not believe there is a contractual requirement for a specific long term maintenance provision to be included in the financial report under the CHA in relation to these properties.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**22. Reconciliation of Profit to Operating Cash Flow Activities**

**Cash Flow Information**

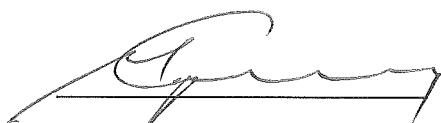
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(i) Reconciliation of Cash Flows from Operating Activities with Profit from Ordinary Activities</b>		
<b>Profit from ordinary activities</b>	14,591,659	15,250,940
<b>Non cash flows in profit</b>		
- Bad debts written off	717,469	258,651
- Depreciation	3,546,448	3,051,216
- Net Loss on disposal on non-current assets	(396,001)	-
<b>Change in assets and liabilities</b>		
- Increase in trade and other receivables	(198,426)	(321,986)
- (Increase)/decrease in GST receivables	295,232	(312,591)
- Increase/(decrease) in trade creditors	(110,161)	232,847
- (Increase)/decrease in prepayments	732,492	(214,526)
- Increase in deferred grant revenue	(735,607)	(3,804,293)
- Increase/(decrease) in accrued expenses and other payables	(1,226,528)	2,070,709
- (Increase)/decrease in accrued income	1,178,913	(1,323,202)
- Increase/(decrease) in rental income in advance	194,417	(19,965)
- Increase in provision for employee entitlements	19,187	85,990
<b>Net cash inflows from Operating Activities</b>	<u>18,609,094</u>	<u>14,953,791</u>

### ***DIRECTORS' DECLARATION***

The Directors of Foundation Housing Limited declare that:

- The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the ACNC Act 2012 and:
  - comply with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Regulations 2013; and
  - give a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
- In the Directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



**Director**

Signed at Perth this 23 day of September 2014



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Australia

## INDEPENDENT AUDITOR'S REPORT

To The Members of Foundation Housing Limited

### Report on the Financial Report

We have audited the accompanying financial report of Foundation Housing Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *ACNC Act 2012* and for such internal control as the directors 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the *ACNC Act 2012*.



### Opinion

In our opinion the financial report of Foundation Housing Limited is in accordance with the *ACNC Act 2012*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *ACNC Regulations 2013*.

BDO Audit (WA) Pty Ltd

BDO  
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Brad McVeigh

Director

Perth, 23 September 2014