

**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
**ABN 78 014 531 758**

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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## **Directors' Report**

The directors present their report on Homes North Community Housing Company Ltd ("the company" or "Homes North") for the financial year ended 30 June 2021.

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

**Jane Michie**  
**John Kleeman**  
**Libby Cumming**  
**Ken Bone**  
**Alison Sheridan**  
**Cathy Duncan**  
**Sue Ainsworth**  
**Janelle Speed**

The directors have all been in office since the start of the financial year unless otherwise stated.

### **Principal Activities**

The principal activity of the Company during the financial year was to provide secure, appropriate, and affordable housing solutions for people on low incomes who are disadvantaged in gaining access to or maintaining a tenancy, and or are at risk of homelessness.

### **Short and Long-Term Objectives of the Company**

The company has identified the following short (3 year) and long (20 year) term objectives:

- Reduce homelessness
- Provide a range of housing solutions for community members who are limited in their capacity to access safe, appropriate, and affordable accommodation,
- Support community members to sustain tenancies, improve wellbeing and develop independence through:
  - The direct provision of housing management and related services; and
  - Fostering an integrated service response for community members who have complex needs and require stable and affordable housing to thrive
- Provide culturally appropriate housing-related services to Aboriginal community members
- Develop strong partnerships with local agencies and service providers to strengthen and build on a client-centred and outcomes-focused service delivery model
- Use our increased capacity to be a strong advocate and leader influencing social housing planning in our region
- Continually improve and expand our service at all levels, including adapting and innovating in ways that ensure we achieve a broad range of positive outcomes for our communities
- Implement a life-cycle plan for the disposal and replacement of properties to ensure the value of the Company's portfolio, and a high standard of housing provision, is maintained.
- Continue to increase the supply of housing where rent is based on a community member's financial capacity and not only on financial return
- Raise general awareness of housing-related issues in regional NSW.

### **Performance Measurement**

The Company achieves its short and long-term objectives by developing 3-4 year strategic plans. A detailed operational plan maps out activities that will be undertaken each year of the plan. The operational plan then informs the development of annual budgets. The Company reports against the strategic plan in the Annual Report.

In addition, the Company's Strategic Asset Management Plan ensures our housing portfolio meets the specific needs within the regions where we operate. The plan includes analysis of housing markets and underpins decisions around acquisitions and disposals. It is also used to inform the 25-year planned maintenance schedule.

The company uses the following key performance indicators to measure performance:

Tenancy Management	2021		2020	
	Actual	Benchmark	Actual	Benchmark
Rent arrears	1.04%	2.5%	3.1%	2.5%
Customer satisfaction rating	83%	**75%	80%	**75%
Supported tenancies as a % of all tenancies	17%	18%	13%	18%
Vacant tenatable (Units with no maintenance required or minor maintenance to complete)	10 days	**14 days	19 days	**14 days
*Vacant un-tenantable (Non SHMT)	39 days	28 days	48 days	28 days
*Vacant un-tenantable (SHMT)	103 days	28 days	90 days	28 days

**Notes:**

Social Housing Management Transfer (“SHMT”) properties were transferred to Homes North in May 2019. This portfolio of properties has negatively impacted Homes North performance for the financial years 2019 to 2020 and 2020 to 2021. This is attributable to the existing Land and Housing Corporation outsourced maintenance contract remaining in place for the first two years of the SHMT contract resulting in significant delays in the average time taken to restore properties to a lettable standard. Since the expiry of this contract and commencement of direct vacant maintenance delivery by Homes North the related performance indicators have improved significantly.

\* **Vacant un-tenantable** relates to void properties that require significant capital upgrade works to be completed before they can be re-tenanted.

\*\* National Registrar for Community Housing benchmarks

Operational and Financial	2021		2020	
	Actual	Benchmark	Actual	Benchmark
Expenditure on repairs & maintenance does not exceed budget average per property (Non SHMT)	551	700	1,178	700
Planned and Cyclical maintenance does not exceed budget average per property (Non SHMT)	1,602	1,500	1,250	1,500
Repairs and Maintenance, Planned and Cyclical maintenance does not exceed budget average per property (SHMT)	*4,147	2,200	2,604	2,200
% of Capital properties at Land and Housing Corporation Asset Standards (Non SHMT)	98%	70%	98%	70%
% of Capital properties at Land and Housing Corporation Asset Standards (SHMT)	95%	70%	91%	70%
** Working Capital Ratio	0.6:1	1.5:1	0.5:1	1.5:1

**Notes:**

**Repairs and maintenance** relates to urgent repairs and maintenance.

**Planned maintenance** relates to replacement of items after fair wear and tear such as kitchens, bathrooms, stoves, hot water services etc. Cyclical maintenance includes regular items such as pest inspections, annual smoke alarm and hot water thermostat testing and replacement.

\*Repairs and Maintenance as invoiced by Land and Housing Corporation “LAHC” under the maintenance contract which ended on 30 June 2021 was not able to be split between planned, cyclical and Repairs and Maintenance. However, it should be noted that expenditure on this program was on average \$2000 per property more than our other programs, which do not include administrative overhead costs associated with the LAHC maintenance contract.

\*\* **Working capital ratio** is also called the current ratio. It is the relative proportion of the company’s current assets to its current liabilities. It provides an indication of a business’s ability to pay its current liabilities with current assets and is used as a measure of liquidity. The introduction of the new accounting standard in relation to leased assets (AASB 16) was implemented in 2019-20 and has had a significant impact on the balance sheet. There was an initial increase to non-current assets of \$6.3 million, an increase in current liabilities of \$3.7 million and non-current liabilities of \$2.6 million. In the current year if the ratio is adjusted to eliminate the effect of the leasing standard it is 0.8:1. There are a number of one-off factors which are also impacting on this ratio this year:

1. Grant funding of \$1.2 million received in advance
2. Accrued purchase orders: this figure is \$1.2 million higher than the previous year and is attributable to the cessation of the SHMT Land and Housing Corporation maintenance contract on 30 June 2021.

### Information on Directors

The names of the directors in office at any time during, or since the end of, the year and the period that each director has been in office:

<b>Jane Michie</b>	<b>Appointed:</b> 16 June 2015 <b>Resigned:</b> 30 <sup>th</sup> September 2021
<b>Special Responsibilities:</b>	Chairperson appointed December 2018, Member - Audit and Risk Committee,
<b>Current Position:</b>	Research Support Officer, UNE
<b>Qualifications:</b>	Master of Business Administration (Professional Accounting) - University of New England Bachelor of Arts - Newcastle University; Diploma of Government (Management) - Australian Institute of Management
<b>Experience:</b>	Over 20 years' experience in management and finance in the medical, financial services, community services and local government sectors.

<b>John Kleeman</b>	<b>Appointed:</b> 30 November 2015
<b>Special Responsibilities:</b>	Member of Nominations Committee; Representative director on Alliance Social Enterprises Co Ltd; Member of the Reconciliation Action Plan working group.
<b>Current Position:</b>	Retired.
<b>Qualifications:</b>	Bachelor of Science (Hons) (Adelaide); Doctor of Philosophy (ANU)
<b>Experience:</b>	Director/head of institutional planning and strategy; and academic teaching, research and administration, University of New England. Senior office holder in community organisations (voluntary)

<b>Libby Cumming</b>	<b>Appointed:</b> 30 November 2015 <b>Resigned:</b> December 2021
<b>Special Responsibilities:</b>	Deputy Chair – Appointed 18 <sup>th</sup> December 2019 Member - Audit and Risk Committee; Member of the Nominations Committee
<b>Current Position:</b>	Principal - Town Planning Consultant
<b>Qualifications:</b>	Bachelor Urban and Regional Planning – University of New England; Graduate Certificate of Local Transport Planning – University of New England; Graduate Certificate of Urban Land Development – University of New England; Graduate Certificate of Environmental Design – University of New England; Graduate Certificate of Planning Law and Administration – University of New England; Financial Management Certificate – Charles Sturt University; Advanced Social Planning – Local Government Centre; Workplace Training (Category 1) – Central West Community College; Building in Bushfire Prone Areas Certificate – University of Technology Sydney; Aboriginal Sites Awareness Certificate – NSW Aboriginal Heritage Office.
<b>Experience:</b>	Thirty years of numerous diverse management roles within the Local Government sector of all regulatory services including development and building certification, health and environmental services, heritage, flood plain and bushfire management, management of internal processing and community service projects and strategic policy making.

<b>Ken Bone</b>	<b>Appointed:</b> 9 August 2017 <b>Chairperson:</b> 12th October 2021
<b>Special Responsibilities:</b>	Chairperson of the Nominations Committee.
<b>Current Position:</b>	Board Chair Woodville Alliance

<b>Qualifications:</b>	Bachelor of Economics, University of Syd
<b>Experience:</b>	Senior manager with Health, Parliamentary departments Commonwealth public service. General Manager Assets and maintenance ACT Housing Group Manager Operations Parramatta City Council. General Manager for NSW Housing for country and city operations. Board Chair for Western Suburbs Community Housing NATEX Board Member ACT Cricket Association Board Member

<b>Alison Sheridan</b>	<b>Appointed:</b> 14 March 2018
<b>Special Responsibilities:</b>	Chairperson Audit and Risk Committee, appointed December 2018
<b>Current Position:</b>	Non-Executive director; Emeritus Professor, UNE Business School.
<b>Qualifications:</b>	Bachelor of Agricultural Economics (Hons 1) University of Sydney; PhD, University of New England; GAICD, FANZAM, PFHEA
<b>Experience:</b>	Over thirty years of teaching, research and management roles at the University of New England. Experienced Director, including Regional Australia Bank, New England North West Regional Development Board (2003-2007) and not-for-profit training organisations.

<b>Janelle Speed</b>	<b>Appointed:</b> 18 December 2019
<b>Special Responsibilities:</b>	Member Nomination Committee
<b>Current Position:</b>	Community Representative, Australian College of Rural and Remote Medicine (ACRRM), Community Advisory Committee member, New England Central Coast Primary Health Network (CCHNE PHN); Member, Myall Creek National Memorial Committee; Aboriginal Consultant, Convenor for Youth Justice Conference, Juvenile Justice.
<b>Qualifications:</b>	Diploma in Management
<b>Experience:</b>	20 years working in rural and metropolitan communities in various areas that include Child Care, Aboriginal Community Capacity worker, Aboriginal Medical Services, Lecturer, UNE (Schools Medicine/Health), Hunter New England (HNE) Board member 10 years (previously on Community Advisory Group HNE), Nationally Accredited Cultural Competency, Rural and regional organisations.

<b>Sue Ainsworth</b>	<b>Appointed:</b> 18 December 2019
<b>Special Responsibilities:</b>	Member of the Audit and Risk Committee
<b>Current Position:</b>	Accountant, Catholic Schools Office Armidale. Director, Australian Catholic Super and Retirement Fund ('ACSRF') - commenced July 2011; Member of ACSR Audit Committee and Remuneration Committee.
<b>Qualifications:</b>	Bachelor Financial Administration (Accounting); Fellow CPA Australia; Graduate, Australian Institute of Company Directors; Fellow Governance Institute Australia, Justice of the Peace.
<b>Experience:</b>	24 years' experience in the Financial Services Industry, including both the Commercial and Not for Profit sectors

<b>Cathy Duncan</b>	<b>Appointed:</b> 18 December 2019
<b>Special Responsibilities:</b>	
<b>Current Position:</b>	Local and Indigenous Engagement Advisor Trans4m Rail Narrabri to North Star Project; Director Byamee; Moree Area Homelessness Co-Chairperson Moree Reconciliation Committee; Chairperson Pius X Aboriginal Corporation and Medical Service.
<b>Qualifications:</b>	Over 28 years' experience in Aboriginal Employment, Education, Training and Cultural safety practices.
<b>Experience:</b>	Former Commonwealth Public Servant 12 years' experience held positions as Regional Manager North West/New England and Moree Branch Manager

	<p>Department of Employment, Education and Training specialising in Indigenous Education and Employment.</p> <p>Not for Profit experience Chairperson/ former founding CEO of Aboriginal Employment Strategy Ltd; 6 years working in Private Sector for ANZ bank National Manager Indigenous Cultural Capability and Direct Recruitment.</p>
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### Meetings of Directors

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors Meetings		Audit & Risk Committee Meetings	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Jane Michie	10	10	4	4
John Kleeman	10	10	-	-
Libby Cumming	10	8	4	3
Ken Bone	10	10	-	-
Alison Sheridan	10	10	4	4
Cathy Duncan	10	8	-	-
Sue Ainsworth	10	10	4	3
Janelle Speed	10	10	-	-

### Company Secretary

Neil Scholes-Robertson was appointed Company Secretary in November 2015 and continues in office as at the date of this report. Neil joined the Company as the Manager of Business Services in 2012 and continues in that role. Neil is a qualified accountant and has a broad accounting and teaching background which includes experience in the not-for-profit sector.

### Membership Details

The company is an incorporated company limited by guarantee that requires the members of the company to contribute \$1 per member towards the company liabilities on the winding up of the company. These membership numbers are at 30 June 2021:

Membership Class	Number of Members	Individual Members Contribution on winding up of Company	Total Members Contribution on winding up of Company
Ordinary Members	17	\$1	\$17
Total	17	\$1	\$17

### Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 60 of the Australian Charities and Not-for-Profits Commission Act 2012 is attached to these financial statements.

Signed in accordance with a resolution of the Board of Directors



**Ken Bone**  
Chairperson



**Alison Sheridan**  
Director

Dated: 12<sup>th</sup> October 2021

**AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES  
AND NOT FOR PROFITS COMMISSION ACT 2012  
TO THE BOARD MEMBERS OF  
HOMES NORTH COMMUNITY HOUSING COMPANY LTD**

**ABN 78 014 531 758**

I declare that, to the best of my knowledge and belief, during the financial year to 30 June 2021 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**CROWE CENTRAL NORTH**



**Kylie Ellis**  
**Audit Partner**

Registered Company Auditor (ASIC RAN 483424)  
90 Rusden Street  
ARMIDALE NSW 2350

Dated: 12 October 2021

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
**ABN 78 014 531 758**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
Revenues	2	<b>34,330,713</b>	31,358,929
Interest revenue calculated using the effective interest rate method	2	<b>1,128</b>	11,336
Other income	3	<b>87,798</b>	107,482
Fair value (loss)/gain on revaluation of investment property		<b>2,351,121</b>	(775,585)
Administration expenses		<b>(1,022,713)</b>	(1,004,898)
Audit, legal and consultancy expenses	4	<b>(173,199)</b>	(116,301)
Depreciation and amortisation expenses		<b>(4,400,418)</b>	(4,252,162)
Doubtful debts movement in provisions	4	<b>(1,627,358)</b>	(162,292)
Employee benefits expenses		<b>(8,201,452)</b>	(6,889,192)
Fuel, light and power expenses		<b>(43,843)</b>	(31,129)
Interest expenses		<b>(381,135)</b>	(495,347)
Motor vehicle expenses		<b>(180,123)</b>	(144,996)
Other expenses		-	(419,371)
Rental expenses on operating leases		<b>(143,881)</b>	-
Tenancy and property management expenses		<b>(23,003,648)</b>	(15,978,988)
Training expenses		<b>(124,892)</b>	(75,409)
(Deficit)/Surplus before income tax expense		<b>(2,531,902)</b>	1,132,077
Income tax expense	1(a)	-	-
(Deficit)/Surplus after income tax expense		<b>(2,531,902)</b>	1,132,077
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<b>(2,531,902)</b>	1,132,077

HOMES NORTH COMMUNITY HOUSING COMPANY LTD  
 ABN 78 014 531 758

STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,114,797	4,830,248
Trade and other receivables	6	4,123,211	2,147,400
Other assets	8	179,118	185,770
<b>TOTAL CURRENT ASSETS</b>		<b>5,417,126</b>	<b>7,163,418</b>
<b>NON CURRENT ASSETS</b>			
Investment and other financial assets	7	92,500	92,500
Property, plant and equipment	9	897,603	500,264
Investment property	11	48,035,001	45,683,880
Right-of-use assets	12	4,604,543	6,255,553
Intangible assets	10	713,137	946,804
<b>TOTAL NON CURRENT ASSETS</b>		<b>54,342,784</b>	<b>53,479,001</b>
<b>TOTAL ASSETS</b>		<b>59,759,910</b>	<b>60,642,419</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	3,035,282	1,968,906
Lease Liabilities	13	2,517,432	3,735,087
Borrowings	15	450,782	6,515,090
Employee benefits	16	1,077,112	981,299
Other liabilities	17	365,182	-
Contract liabilities	18	1,915,762	1,998,142
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,361,552</b>	<b>15,198,524</b>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	15	6,065,000	-
Lease Liabilities	13	2,005,768	2,593,764
Employee benefits	16	263,749	204,388
Other liabilities	17	1,950,000	-
Contract liabilities	18	29,000	29,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>10,313,517</b>	<b>2,827,152</b>
<b>TOTAL LIABILITIES</b>		<b>19,675,069</b>	<b>18,025,676</b>
<b>NET ASSETS</b>		<b>40,084,841</b>	<b>42,616,743</b>
<b>EQUITY</b>			
Reserves	19	375,868	2,181,384
Accumulated funds		39,708,973	40,435,359
<b>TOTAL EQUITY</b>		<b>40,084,841</b>	<b>42,616,743</b>

HOMES NORTH COMMUNITY HOUSING COMPANY LTD  
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STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2021

	Planned Maintenance Reserve \$	Accumulated Funds \$	Total \$
<b>Balance at 1 July 2019</b>	1,632,175	39,852,491	41,484,666
Surplus after income tax expense	-	1,132,077	1,132,077
Transfer to/(from) reserve	549,209	(549,209)	-
Other comprehensive income for the year	-	-	-
<b>Balance at 30 June 2020</b>	<u>2,181,384</u>	<u>40,435,359</u>	<u>42,616,743</u>
Deficit after income tax expense	-	(2,531,902)	(2,531,902)
Transfer to/(from) reserve	(1,805,516)	1,805,516	-
Other comprehensive income for the year	-	-	-
<b>Balance at 30 June 2021</b>	<u>375,868</u>	<u>39,708,973</u>	<u>40,084,841</u>

**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
**ABN 78 014 531 758**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		<b>34,705,818</b>	31,739,639
Payments to suppliers and employees		<b>(33,329,831)</b>	(25,120,086)
Interest paid		<b>(381,135)</b>	(495,347)
Interest received		<b>1,128</b>	11,336
Net cash provided by operating activities		<b>995,980</b>	6,135,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		<b>(567,847)</b>	(120,958)
Proceeds from sale of plant and equipment		<b>(29,775)</b>	-
Net cash used in investing activities		<b>(597,622)</b>	(120,958)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		<b>7,348,982</b>	500,000
Repayments of borrowings		<b>(7,313,685)</b>	-
Repayment of lease liabilities		<b>(4,149,106)</b>	(3,768,589)
Net cash (used in)/provided by investing activities		<b>(4,113,809)</b>	(3,268,589)
Net (decrease)/increase in cash held		<b>(3,715,451)</b>	2,745,995
Cash at the beginning of the financial year		<b>4,830,248</b>	2,084,253
Cash at the end of the financial year	5	<b>1,114,797</b>	4,830,248

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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**Note 1: Statement of Significant Accounting Policies**

The financial report covers Homes North Community Housing Company Ltd as an individual entity. Homes North Community Housing Company Ltd is company limited by guarantee, incorporated and domiciled in Australia.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for-profit oriented entities.

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. The amounts presented in the financial statements have been rounded to the nearest dollar.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (q).

The financial statements were authorised for issue, in accordance with a resolution of directors on 12 October 2021.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Income Tax**

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

**(b) Cash and Cash Equivalents**

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

**(c) Revenue**

Revenue from Contracts with Customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021

Grants

The company receives various grants, some are recognised under *AASB15: Revenue from Contracts with Customers* and some are recognised under *AASB1058: Income of Not-for-Profit Entities*. Treatment under each standard is detailed as follows;

*Grants - AASB15: Revenue from Contracts with Customers*

The company receives a number of funding streams that contain sufficiently specific performance obligations within the funding contract. Grant revenue pertaining to these contracts is recognised in profit or loss when the company satisfies the performance obligations stated within the funding agreements in accordance with *AASB15: Revenue from Contracts with Customers*.

*Grants - AASB1058: Income of Not-for-Profit Entities*

The company receives a number of funding streams that do not contain sufficiently specific performance obligations. Where there are no sufficiently specific performance obligations present, the company recognises revenue on receipt of funds in accordance with *AASB1058: Income of Not-for-Profit Entities*.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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

**(d) Property Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	2.5% - 50%
Computer equipment and software	20% - 100%
Furniture, fittings and office equipment	14% - 25%
Motor Vehicles	12.5%

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**(e) Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change recognised through the Profit and Loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**(f) Right-of-use Assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**(g) Lessor Accounting**

As a lessor, the company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

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

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value of its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the receivable amount of the cash-generating unit to which the asset belongs.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**(i) Employee Benefits**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

**(j) Trade and Other Receivables**

Trade receivables, which comprise amounts due from the provision of services provided to tenants, are recognised and carried at original invoice amount less any allowance for uncollectable amounts. The Expected Credit Loss is recognised in the provision for doubtful debts.

Bad debts which are known to be uncollectable are written off.

**(k) Lease Liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option or extension option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of an extension or purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**(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 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 and as a result no Expected Credit Loss provision is required.

**(m) Borrowings**

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

**(n) Contract Liabilities**

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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**(o) Goods and Services Tax**

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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the 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 Australian Taxation Office is included as part of receivables or payables.

**(p) Comparative Figures**

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

**(q) Critical Accounting Estimates and Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Key Judgement - Revenue from contracts with customers

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Key Judgement - Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Lease Term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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Incremental Borrowing Rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1 (i), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Valuation of Investment Property

Valuations are completed on a rolling three year cycle with one third of properties being valued each year by an independent valuer.

The freehold land and buildings were independently valued at 30 June 2021 by the Armidale and Tamworth offices of Herron Todd White (National Operations) Pty Ltd. The valuations were based on the fair value less cost to sell. The critical assumptions adopted in determining the valuations included the location of the land and buildings, the current demand for land and buildings in the area and recent sales data for similar properties. The valuation resulted in a revaluation increment of \$2,351,121 being recognised in the profit and loss for the year ended 30 June 2021.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**(r) Going Concern**

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to continue their trading activities. The company has recognised a deficit after income tax of \$2,531,902 and positive net operating cash flows of \$995,980 for the period ended 30 June 2021 and as at that date, current liabilities exceed current assets by \$3,944,426.

The company is in a net current liability position partly due to the level of current employee benefits owing and income received in advance at 30 June 2021. The company does not expect that the full amount of employee benefits would be required to be repaid within a 12 month period, unless the company was to wind up operations of which the directors currently have no intention. In addition, income received in advance does not represent an amount owing by the company, but instead revenue to be recognised over time.

The Company's ability to continue as a going concern is dependent on a number of factors including the ability of the company to perform in line with budgets and cash flow projections.

In the unlikely event that the above results in a negative outcome, then the going concern basis may not be appropriate. No allowance for such circumstances has been made in the financial report.

**(s) Changes in accounting policy, disclosures, standards and interpretations**

New of amended Accounting Standards and Interpretations Adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	2021 \$	2020 \$
<b>Note 2: Revenue</b>		
Revenue from contracts with customers		
Grant revenue	5,224,249	2,719,241
Tenancy management - fee for service	126,757	110,314
Other recoveries	681,675	443,557
Total revenue from contracts with customers	<u>6,032,681</u>	<u>3,273,112</u>
Other revenue:		
Rental income	25,411,025	25,243,408
Grant income	2,609,087	2,700,295
Interest received from other persons	1,128	11,336
Other income	227,920	92,114
Other income - COVID subsidies	50,000	50,000
Total other revenue	<u>28,299,160</u>	<u>28,097,153</u>
Total revenue	<u>34,331,841</u>	<u>31,370,265</u>
The disaggregation of revenue from contracts with customers is as follows:		
Timing of revenue recognition		
Goods transferred at a point in time	4,057,482	614,591
Service transferred over time	1,975,199	2,658,521
	<u>6,032,681</u>	<u>3,273,112</u>
<b>Note 3: Other Income</b>		
Profit (loss) on sale of assets	7,300	-
Profit (loss) on modification of leases	(19,724)	-
Insurance recoveries	100,222	107,482
Total other income	<u>87,798</u>	<u>107,482</u>
<b>Note 4: Expenses</b>		
Profit before income tax includes the following specific expenses:		
Audit, legal and consultancy expenses	173,199	116,301
Depreciation and amortisation expenses		
Property, plant, equipment & software	788,189	408,708
Leased assets	3,612,229	3,843,454
Doubtful debts movement in provisions	1,627,358	162,292
Finance costs		
Interest and finance charges paid/payable on borrowings	236,130	235,011
Interest and finance charges paid/payable on lease liabilities	145,005	260,336
Rental expenses on operating leases		
Short-term lease payments	-	16,587
Salary and wages	7,455,694	6,296,197
Superannuation	669,881	503,569

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	2021	2020
	\$	\$

**Note 5: Cash and Cash Equivalents**

Cash on hand	1,463	2,964
Cash at bank	<u>1,113,334</u>	<u>4,827,284</u>
	<u>1,114,797</u>	<u>4,830,248</u>

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>1,114,797</u>	<u>4,830,248</u>
Balance as per statement of cash flows	<u>1,114,797</u>	<u>4,830,248</u>

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 15 (c) for further detail

**Note 6: Trade and Other Receivables**

Expected to be settled within 12 months

Rental and trade receivables	4,293,552	2,397,596
Less: allowance for expected credit losses	<u>(2,459,511)</u>	<u>(1,250,256)</u>
	1,834,041	1,147,340
Other receivables	<u>2,289,170</u>	<u>1,000,060</u>
Total trade and other receivables	<u>4,123,211</u>	<u>2,147,400</u>

**Note 7: Investments and Other Financial Assets**

(a) Financial assets at amortised cost

Financial assets at amortised cost include the following debt investments

Loan - Alliance Social Enterprise Ltd	185,000	185,000
Less: Provision for impairment	<u>(92,500)</u>	<u>(92,500)</u>
	<u>92,500</u>	<u>92,500</u>

This amount arises from a loan to a non-related entity. The transaction is outside the usual operating activities of the company. Interest is charged at 2% plus the Australian Government Bond 10 Year Yield Rate. Collateral has not been obtained.

The loan has subsequently been renewed through to 30 June 2026 on the same interest terms.

**Note 8: Other Assets**

CURRENT

Prepaid expenses	<u>179,118</u>	<u>185,770</u>
	<u>179,118</u>	<u>185,770</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021 \$	2020 \$
<b>Note 9: Property, Plant and Equipment</b>		
Land and Buildings (at cost)		
Capital works in progress	<u>304,835</u>	-
Total Land and Buildings	<u>304,835</u>	-
Leasehold Improvements (at cost)		
Leasehold Improvements	254,849	254,849
Less: Accumulated depreciation	<u>(118,134)</u>	<u>(103,139)</u>
Total Leasehold Improvements	<u>136,715</u>	151,710
Plant and Equipment (at cost)		
Motor Vehicles	215,983	230,971
Less: Accumulated depreciation	<u>(159,726)</u>	<u>(150,510)</u>
	<u>56,257</u>	80,461
Office Equipment	911,659	648,646
Less: Accumulated depreciation	<u>(511,863)</u>	<u>(380,553)</u>
	<u>399,796</u>	268,093
Total Plant and Equipment	<u>456,053</u>	348,554
Total Property, Plant and Equipment	<u>897,603</u>	500,264
(a) Movements in carrying amounts		
	Leasehold Improvements \$	Plant and Equipment \$
Balance at the beginning of the year	151,710	348,554
Additions	-	263,012
Disposals	-	-
Depreciation expense	<u>(14,995)</u>	<u>(155,513)</u>
Carrying amount at the end of the year	<u>136,715</u>	456,053
	Land & Buildings \$	Total \$
Balance at the beginning of the year	-	500,264
Additions	304,835	567,847
Disposals	-	-
Depreciation expense	<u>-</u>	<u>(170,508)</u>
Carrying amount at the end of the year	<u>304,835</u>	897,603

(b) No impairment has been recognised in respect of plant and equipment.

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	2021	2020
	\$	\$

**Note 10: Intangible Assets**

Development Costs & Software (at cost)	1,260,381	1,230,606
Less: accumulated amortisation	<u>(547,244)</u>	<u>(283,802)</u>
	<u>713,137</u>	<u>946,804</u>

(a) Movements in carrying amounts

	Development Costs & Software \$	Total \$
Balance at the beginning of the year	946,804	946,804
Additions	29,775	29,775
Disposals	-	-
Amortisation expense	<u>(263,442)</u>	<u>(263,442)</u>
Carrying amount at the end of the year	<u>713,137</u>	<u>713,137</u>

**Note 11: Investment Property**

Investment property - restricted	37,895,001	36,388,389
Investment property - unrestricted	<u>10,140,000</u>	<u>9,295,491</u>
Total Investment Property	<u>48,035,001</u>	<u>45,683,880</u>

(a) Movements in carrying amounts

	Restricted Investment Property \$	Unrestricted Investment Property \$	Total \$
Balance at the beginning of the year	36,388,389	9,295,491	45,683,880
Additions	-	-	-
Fair value gain/(loss) on revaluation	<u>1,506,612</u>	<u>844,509</u>	<u>2,351,121</u>
Carrying amount at the end of the year	<u>37,895,001</u>	<u>10,140,000</u>	<u>48,035,001</u>

(b) Asset Revaluations

The company obtains independent valuations of its investment property portfolio on a triennial basis and at the end of each reporting period the financial statements reflect the most up to date valuation. The best evidence of fair value is considered to be the current price in an active market for similar assets. The following information is used where necessary: current prices in an active market for different types of properties or similar property's in a less active market.

As at 30 June 2021 the valuation of the investment property portfolio was performed by the Armidale and Tamworth offices of Herron Todd White (National Operations) Pty Ltd. This valuation process resulted in a net revaluation increment of \$2,351,121 (2020: decrement \$775,585) being for the year ended 30 June 2021.

(c) Properties received under Nation Building Economic Stimulus Plan

Homes North became entitled to 250 dwellings under Stage 2 of the NSW Nation Building Economic Stimulus Plan "NBESP". Properties vested under the NBESP agreement are determined to be restricted investment properties as Homes North are required to:

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	2021	2020
	\$	\$

- Deliver property and management services to clients eligible for public housing, including people with high-level housing needs; and
- Allocate the accommodation to particular client groups in accordance with specified target quotas; and
- Use the properties to leverage financial resources in partnership with private sector institutions; and
- Use those resources to create additional affordable housing targeted towards low to moderate income households experiencing housing stress.

(d) Restriction on Assets

All properties received under the NBESP grant are classified as restricted assets because they can only be used for social housing purposes (per the tender guidelines of NBESP which governs the use of these properties by social housing providers.). Should these properties be sold proceeds from the sale of these properties must be re-invested back into properties used for social housing purposes. To ensure this intention is honoured there is a caveat on each of the titles requiring permission from Housing NSW before a sale can take place.

(e) Repairs and Maintenance Obligations - Impairment

Homes North is required to set aside sufficient resources to meet scheduled repairs and maintenance obligations. Accordingly, \$1,500 less actual amounts spent, per property is set aside each year and transferred to the planned maintenance reserve. This balance is carried forward as a restricted planned maintenance reserve and actual planned maintenance repairs are charged to the profit and loss. This restricted planned maintenance reserve aims to ensure that Homes North has capacity to meet the cost of significant capital upgrades and maintenance when required, and maintain buildings at or above the required asset standard.

(f) Operating Leases

Investment properties are either leased to third parties on operating leases or are vacant. Rental income of \$2,453,673 (2020: \$2,326,142) is shown within revenue.

Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Company when a property has been subjected to excess wear-and-tear during the lease term.

Future minimum lease rentals are as follows:

Within 1 year		
1 - 2 years	<b>2,452,140</b>	2,341,954
2 - 3 years	<b>2,513,443</b>	2,388,793
3 - 4 years	<b>2,576,279</b>	2,436,569
4 - 5 years	<b>2,640,686</b>	2,485,300
More than 5 years	<b>2,706,704</b>	2,535,006
Total	<b><u>12,889,252</u></b>	<u>12,187,622</u>

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	2021	2020
	\$	\$

**Note 12: Right-of-use Assets**

Land and Buildings

Buildings	<b>10,143,821</b>	10,098,098
Less: Accumulated depreciation	<b>(5,539,278)</b>	(3,842,545)

<b>Total Leased Assets</b>	<b>4,604,543</b>	6,255,553
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(a) Movements in carrying amounts

	Land and Buildings \$	Total \$
Balance at the beginning of the year	6,255,553	6,255,553
Adjustment on adoption of AASB16		-
Additions	2,919,530	2,919,530
Disposals	(604,072)	(604,072)
Depreciation expense	<b>(3,966,468)</b>	<b>(3,966,468)</b>
Carrying amount at the end of the year	<b>4,604,543</b>	<b>4,604,543</b>

(b) The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(c) The Company also assesses the right-of-use asset for impairment when such indicators exist. No impairment has been recognised in respect of right-of-use assets.

**Note 13: Lease Liabilities**

Lease liabilities are presented in the statement of financial position as follows:

CURRENT

Lease liability	<b>2,517,432</b>	3,735,087
<b>Total Current Lease liability</b>	<b>2,517,432</b>	3,735,087

NON-CURRENT

Lease liability	<b>2,005,768</b>	2,593,764
<b>Total Non-Current Lease liability</b>	<b>2,005,768</b>	2,593,764
<b>Total Lease liability</b>	<b>4,523,200</b>	6,328,851

The company leases land and buildings for its offices, and residential tenancy under agreements of between one and five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The company also has certain leases of buildings with lease terms of 12 months or less. The company applies the 'short-term lease' recognition exemption for these leases.

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	2021	2020
	\$	\$
<b>Note 14: Trade and Other Payables</b>		
CURRENT		
Unsecured liabilities:		
Trade payables (excl. property purchase orders)	970,398	971,177
Sundry payables and accrued expenses	(2,856)	161,500
Accrued property purchase orders	<u>2,067,740</u>	<u>836,229</u>
	<u><b>3,035,282</b></u>	<u><b>1,968,906</b></u>
<b>Note 15: Borrowings</b>		
CURRENT		
Unsecured liabilities:		
Credit cards	15,782	15,090
Secured liabilities:		
Bank loans	<u>435,000</u>	<u>6,500,000</u>
	<u><b>450,782</b></u>	<u><b>6,515,090</b></u>
NON-CURRENT		
Secured liabilities:		
Bank loans	<u>6,065,000</u>	<u>-</u>
	<u><b>6,065,000</b></u>	<u><b>-</b></u>
Total Borrowings	<u><b>6,515,782</b></u>	<u><b>6,515,090</b></u>
(a) Total current and non-current secured liabilities:		
Bank loans	<u>6,500,000</u>	<u>6,500,000</u>
	<u><b>6,500,000</b></u>	<u><b>6,500,000</b></u>
(b) The unused portion of approved finance facilities are:		
Bank loans	-	-
Credit cards	<u>59,218</u>	<u>19,910</u>
	<u><b>59,218</b></u>	<u><b>19,910</b></u>
(c) The loan facility is secured by a general fixed and floating charge over the company's assets and first mortgages over Homes North owned properties.		
<b>Note 16: Employee Benefits</b>		
CURRENT		
Provision for employee benefits	<u>1,077,112</u>	<u>981,299</u>
	<u><b>1,077,112</b></u>	<u><b>981,299</b></u>
NON-CURRENT		
Provision for employee benefits	<u>263,749</u>	<u>204,388</u>
	<u><b>263,749</b></u>	<u><b>204,388</b></u>
(a) Aggregate employee benefits liability	<u><b>1,340,861</b></u>	<u><b>1,185,687</b></u>

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**ABN 78 014 531 758**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021 \$	2020 \$
<b>Note 17: Other Liabilities</b>		
CURRENT		
Liability to reinstate LAHC properties	360,000	-
Monies held in trust	5,182	-
	<u>365,182</u>	<u>-</u>
NON-CURRENT		
Liability to reinstate LAHC properties	1,950,000	-
	<u>1,950,000</u>	<u>-</u>
<b>Note 18: Contract Liabilities</b>		
CURRENT		
Grant funding	1,200,348	1,566,147
Tenant rent in advance	613,152	260,334
Rental bonds	31,450	-
Other contract liabilities	70,812	171,661
	<u>1,915,762</u>	<u>1,998,142</u>
NON-CURRENT		
Other contract liabilities	29,000	29,000
	<u>29,000</u>	<u>29,000</u>

**Note 19: Reserves**

**Planned Maintenance Reserve**

The Company carries a planned maintenance reserve to meet the planned maintenance obligations of owned and managed properties. As at 30 June 2021, the Company managed 769 Non-SHMT capital and owned properties (2020: 769) and managed 1,628 capital properties. The company has reserved \$375,868 (2020: \$2,152,335) to meet these obligations.

**Note 20: Capital Commitments**

(a) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

Commercial property purchase	2,950,000	-
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Property purchases financed by an additional bank loan of \$2,065,000, drawn down in July 2021.

As at 30 June 2021 the company had not engaged in any other capital expenditure commitments.

**Note 21: Contingent Liabilities**

As at 30 June 2021 the company did not have any contingent liabilities. All confirmed and validated purchase orders have been accrued at year end as actual liabilities.

**Note 22: Contingent Assets**

Homes North suffered material rent loss in relation to the average time taken to turnaround vacant properties over and above what would be considered reasonable. Land and Housing Corporation were legally responsible for completion of vacant restoration works on Social Housing Management Transfer Properties in a timely manner over the past two years. The claim to be submitted is estimated to be between \$750,000 to \$1,000,000.

**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
**ABN 78 014 531 758**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	\$	\$

**Note 23: Economic Dependency**

The Company is economically dependent upon ongoing long term contracts with, and minor grant funding from, the NSW State Government. Should this funding or contracts be withdrawn the Company may not be able to continue all of the projects currently in operation.

**Note 24: Related Party Transactions**

Key Management Personnel

The totals of remuneration paid to key management personnel (KMP) during the year are as follows:

Key management personnel compensation	<u>940,714</u>	<u>886,148</u>
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Other 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. There are no identified transactions with other related parties.

**Note 25: Events After the End of the Reporting Period**

Subsequent to balance date the company has secured additional loan finance of \$2,065,000 to cover the purchase of a new commercial property valued at \$2,950,000 settled 6 July 2021.

In July 2021 Homes North extended the term for the loan to Alliance Social Enterprises out to 30 June 2026. Interest costs from the original loan of \$22,292 have been capitalised, bringing the total loan amount to \$207,292.

Due to the extraordinary effects of COVID 19 Homes North incurred additional Temporary Accommodation expenditure associated with accommodating Homeless clients. Grant funding for temporary accommodation is provided by Government (Department of Communities and Justice "DCJ") and there was a deficit in funding provided of \$600,000 as at 30 June 2021. Subsequent to year end DCJ have agreed to repay these amounts and there is a commitment to repay either in the 2022 financial year or spread over two years.

No other events have arisen since the end of the reporting period which significantly or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**Note 26: Company Details**

The Company is incorporated and domiciled in Australia as a company limited by guarantee.

The registered office and principal place of business is:

Homes North Community Housing Company Ltd  
17/93 Faulkner Street  
ARMIDALE NSW 2350

**HOMES NORTH COMMUNITY HOUSING COMPANY LTD**  
**ABN 78 014 531 758**

**DIRECTORS DECLARATION**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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The directors of the company declare that:

1. the attached financial statements and notes comply with the Australian Charities and Not-for-Profits Commission Act 2012, the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-Profits Commission Regulations 2013 and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors by:



Chairperson



Director

Dated: 12 October 2021

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
HOMES NORTH COMMUNITY HOUSING COMPANY LTD**

**ABN 78 014 531 758**

**Opinion**

We have audited the financial report of Home North Community Housing Ltd (the Company), which comprises the statement of financial position as at 30 June 2021, 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 directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the Australian Charities and Not-for-profits Commission Act 2012.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the committee of the association, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1(r) in the financial report, which discloses that the company incurred an operating loss of \$2,531,902 and positive net operating cash flows of \$995,980 for the year ended 30 June 2021, and at that date the current liabilities exceeded the current assets by \$3,944,426. These conditions, along with other matters set out in Note 1(r), indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
HOMES NORTH COMMUNITY HOUSING COMPANY LTD**

**ABN 78 014 531 758**

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, 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 the Directors for the Financial Report**

The Directors are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members and the Australian Charities and Not-for-profits Commission 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.

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
HOMES NORTH COMMUNITY HOUSING COMPANY LTD**

**ABN 78 014 531 758**

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional skepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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. Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of 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 the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluates 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. The auditor communicates 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 the auditor identifies during the audit.

**CROWE CENTRAL NORTH**



**Kylie Ellis**  
**Audit Partner**

Registered Company Auditor (ASIC RAN 483424)  
90 Rusden Street  
ARMIDALE NSW 2350

Dated: 5 November 2021

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