

# Country Housing Authority

Annual Report  
2012 – 2013



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### Contact Details

Postal	Street	Internet: <a href="http://www.keystart.com.au">www.keystart.com.au</a>
PO Box 6679	2 Brook Street	Email <a href="mailto:info@keystart.com.au">info@keystart.com.au</a>
East Perth	East Perth	Telephone: 1800 158 200 or 9338 3180
WA 6892	WA 6004	Facsimile: 08 9338 3150



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## STATEMENT OF COMPLIANCE

**For year ended 30 June 2013**

**HON BILL MARMION MLA**

**MINISTER FOR HOUSING**

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Country Housing Authority for the financial year ended 30 June 2013.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Jason Berry  
Chairman of Country Housing  
Authority  
16 September 2013



Kylie Coulson  
Member of Country Housing  
Authority  
16 September 2013



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## OVERVIEW

### CHAIRMAN'S REPORT

There remains a need for quality housing in rural and remote Western Australia and I am delighted that the Country Housing Authority (the Authority) provides vital support to people seeking appropriate housing options through its home loan program.

The Authority offers unique housing and home improvement funding options to the farmers, pastoralists and employers of rural and remote Western Australia that are unavailable or have limited availability from the major lenders.

The Authority's home loan program added a further 92 approved loans at a value of \$17.5m in 2012-13. The level of lending is expected to be maintained in 2013-14 and significantly contribute to meeting the housing needs of eligible rural clients residing outside the Perth metropolitan area.

The Authority is self-funded and provides rural customers with financial assistance through its operating activities, placing no demand on the consolidated fund.

The service provided by Keystart Home Loans on behalf of the Authority has been well-accepted and well-delivered in rural communities across Western Australia. The combining of our service delivery with Keystart was completed in mid-2009 and operates from the Keystart business premises at 2 Brook Street, East Perth.

The Country Housing Authority Board meets on a regular basis to provide sound governance direction on the activities and future opportunities of the Authority.

I would like to express appreciation to the outgoing Chairman Mr Andrew Whitechurch and to the remaining Board members for their contribution over the last 12 months as they continue the provision of quality and affordable housing across rural and remote Western Australia.

I would also like to acknowledge the CEO and staff of Keystart Home Loans for their efforts throughout the past year and look forward to an equally successful and productive 2013-14.



**Mr Jason Berry**  
**Country Housing Authority**  
**Chairman**

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## OPERATIONAL STRUCTURE

### Role

The role of the Authority is to lend for affordable housing in rural and remote Western Australia to farmers, pastoralists, rural businesses and local government, where home loan finance options are otherwise limited.

While the Authority's lending practices may differ from commercial lenders the Authority recognises the need to deliver its service in a sustainable way by minimising risk and maximising delivery to those who require the Authority's services. Its lending philosophy takes into account changing seasonal circumstances in rural and remote Western Australia. The Authority also considers lending for innovative housing solutions including energy efficiency options.

The Authority's clients are farmers, pastoralist and rural businesses (including local government) residing or operating in rural and remote Western Australia.

Housing finance can be used for the placement or erection of a dwelling, additions and alterations to modernise an existing dwelling, including renewable energy systems (farmers only), and the purchase of land on which to erect a dwelling.

### Enabling Legislation

The Authority was established in July 1998, to carry out the functions under the *Country Housing Act 1998*.

The purpose of the legislation is to facilitate the provision of:

- housing in rural areas for farmers, their employees and retired farmers; and
- adequate and suitable housing in rural areas for persons engaged in certain businesses and occupations.

### Responsible Minister

The Authority is a statutory authority, being directly responsible to the Minister for Housing, Hon Bill Marmion MLA, for the administration of the *Country Housing Act 1998*.

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## ORGANISATIONAL STRUCTURE

### Mission

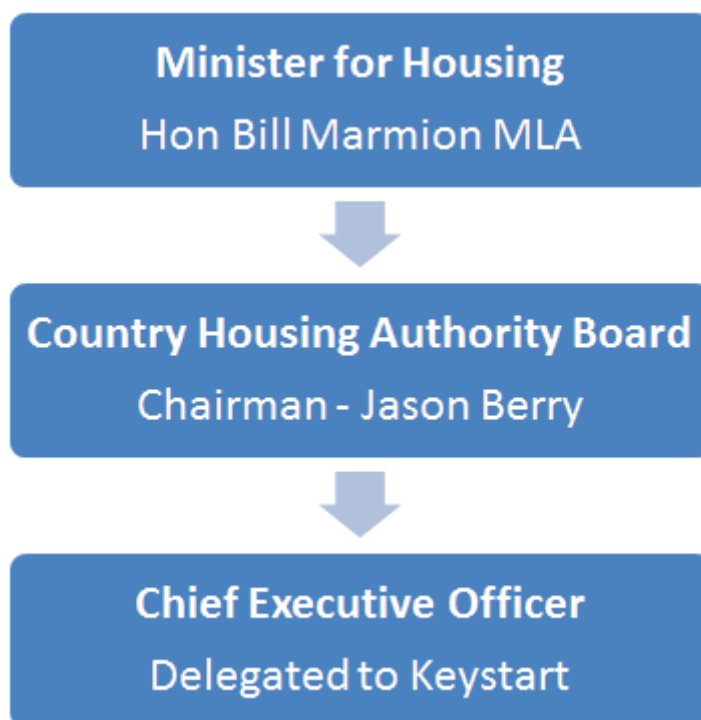
To provide housing loans to Western Australian farmers and rural businesses where finance options are limited.

### Organisational Chart

A Service Level Agreement (SLA) was established in 2009 which prescribes that Keystart Scheme Management Pty Ltd (“Keystart”) is to administer the operations of the Authority on its behalf. This SLA remains in place and is reviewed on a quarterly basis by the Board to ensure it remains effective.

The Chief Finance Officer of the Authority is the Keystart Chief Financial Officer.

During the 2006-07 financial year, Part 10, Division 1 of the *Country Housing Act 1998* was amended by inserting section 9A, making the Authority a Senior Executive Service (SES) organisation under the *Public Sector Management Act 1994*. This requires the Authority to have a Chief Executive Officer.





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## Country Housing Authority Board

The Authority is governed by a Board accountable to the Minister for Housing, and Keystart staff provide the management service. Mr Jason Berry was appointed Chairman of the Board on 26 July 2013 and did not receive any remuneration during the current financial year. Mr Andrew Whitechurch was the prior Chairman of the Board and held the role between May 2012 and June 2013 and was paid \$21,476 in 2012-13. Ms Donna Lynch was paid \$19,385 and Mr Ray Colyer was paid \$10,836 in 2012-13. There was no other remuneration paid to Board members during the financial year as the remaining Board members are all public sector employees.

The *Country Housing Act 1998* requires up to six board members and is to include three members who are involved in farming, finance, industry, commerce or any other field relevant to the functions of the Authority. The remaining members currently include an officer each from the Departments of Treasury, Commerce and Housing.

Board members bring a broad background of knowledge and experience from professional and business areas, including planning, commerce, finance, the housing industry, local government and farming.

### Board Profiles

#### Mr Jason Berry (Chairman)

Mr Berry has extensive experience as a partner in a major accounting firm, concentrating on advice to private and public sector clients on development proposals and risk. He is a Chartered Accountant and Chartered Secretary. *Appointed July 2013 to current*

#### Mr Andrew Whitechurch

Mr Whitechurch has extensive experience in developing business strategies to deliver sustainable market share and profit growth. He has held positions as State Manager and General Manager in Western Australia for major banks. *Appointed May 2012 to June 2013*

#### Ms Donna Lynch

Ms Lynch has comprehensive expertise in rural policy development and experience in rural production in Western Australia. *Appointed August 2011 to current*

#### Ms Diane Blade

Ms Blade has extensive experience in rural and remote housing as the Department of Housing's Regional Manager for the Goldfields region and previously Regional Manager for the Pilbara region. *Appointed September 2011 to current*

#### Mr John Berry

Mr Berry has been the General Manager of the Risk and Program Management Branch of the Department of Commerce over the last five years. *Appointed February 2012 to current*

#### Mr Ray Colyer

Mr Colyer has been a small business owner in Western Australia over the last 20 years. *Appointed February 2012 to current*

#### Dr Kylie Coulson

Dr Coulson has 18 years financial and economic employment experience, including 12 years in the public sector. *Appointed May 2012 to current*

During 2012-13, the Country Housing Authority Board met on 11 occasions and the Internal Audit Committee met twice.

	Full Board of Directors		Internal Audit Committee	
	A	B	A	B
Andrew Whitechurch	11	11	3	3
Donna Lynch	11	11	-	-
Diane Blade	11	9	-	-
John Berry	11	10	3	1
Ray Colyer	11	8	-	-
Kylie Coulson	11	10	3	2

A = Meetings held during the time the Director was in Office

B = Number of meetings attended

### Functions of the Board

As a statutory authority, the Board is the Authority's governing body and is responsible for administering the *Country Housing Act 1998*.

### Accountability and Independence

The *Country Housing Act 1998* outlines the required standards for board members under the *Statutory Corporations (Liability of Directors) Act 1996*. Board members acknowledge their position of trust in making decisions that affect the welfare, rights or entitlements of the community and individuals that are serviced by the Authority. Board members act with professional integrity, possess a clear understanding of their public duties and legal responsibilities, act honestly and exercise due care and diligence.

The Board has the independence to determine policies and control the activities of the Authority, subject to the provisions contained within the *Country Housing Act 1998* and other statutes.

Ministerial approval is required for transactions relating to non-commercial assistance, and variations to interest rates.

### Contracts with Senior Officers

Board members do not have an interest in any existing or proposed contract made with the Authority. The Authority does not employ any senior officers. Keystart staff administer the operations of the Authority in accordance with the service level agreement (SLA) that exists between Keystart and the Authority.

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## **Business Risk**

The Authority has implemented a risk management program in accordance with Treasurer's Instructions 109 and Australia-New Zealand standard AS 4360:1995.

The Authority sources external expert advice on risk management as required on specific issues and procedures, and ensures the risk management processes and procedures are current and incorporated within the operating and Board reporting systems.

The Internal Audit Committee has a specific term of reference addressing risk management and has delegated authority to consider reports and actions associated with these activities.

## **Financial Risk**

The Authority manages financial exposure on an ongoing basis, having regard for interest rates, liquidity and credit risks. Monitoring financial ratios against targets and regular reporting to the Board ensures the Authority manages risks associated with finance and Treasury activities.

The Authority's customer base is situated in rural and remote areas of Western Australia. Factors such as seasonal conditions and commodity prices can impact on the stability of local economies. The risk associated with this was recognised in the development and management of financial policies. The Authority is not materially exposed to any particular sector or region of the State.

## **Internal Audit Committee**

The Authority uses the internal audit services of KPMG under a contract signed by the Department of Housing. The contract expires on 30 June 2014. An Internal Audit Committee provides an overview for audit and review in accordance with the internal audit plan.

## **Organisation Behaviour and Ethics**

The Board of the Authority has adopted a Code of Ethics and Conduct for its members, reflecting a commitment to the highest levels of service and ethical standards.

The Keystart Code of Ethics and Conduct Policy applies to those Keystart staff who administer the operations of the Authority, in accordance with the SLA that exists between Keystart and the Authority.

The Board and Managers of the Authority maintain the highest professional and ethical standards and strive for relationships that are based on fairness, honesty and trust.

## **Ethical Consumer Compliance Policy**

As a consumer organisation, Keystart has ethical responsibilities and legal obligations in the way it interacts with clients.

This policy is an adjunct to the Code of Ethics and Conduct policy. The Authority, through its contract arrangements, abides by Keystart's Ethical Consumer Compliance policy.

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## **Code of Conduct**

In compliance with the Western Australian Public Sector Code of Ethics, the Authority has adopted Keystart's Code of Ethics and Conduct.

## **Training and Development**

Training and development is provided to Keystart staff who administer the operations of the Authority in accordance with the SLA that exists between Keystart and the Authority.

## **Financial Management**

The Authority's comprehensive policy and procedural recommendations on risk management issues, capital adequacy and other financial operations have been implemented.

The Authority has a formalised Loan Risk Management Policy in place. Each application for assistance is considered in that context.

## **Occupational Health and Safety**

Keystart ensures staff are apprised of occupational health and safety issues and their personal obligations to ensure a safe working environment. No claims were received under occupational health and safety provisions during 2012-13.

## **Equity and Access**

Keystart provides staffing to administer the operations of the Authority. Keystart is responsible for ensuring adherence to disability service plan requirements. The current premises is accessible to staff and visitors. Keystart premises meet disability access requirements.

The majority of the Authority's customers are country-based and officers conduct business primarily through telecommunications and personal visits.

## **Customer Complaints**

No formal or informal complaints were received from customers, either directly or through a third party during 2012-13.

As the Authority's customer base grows, the level of complaints will be monitored and, if required, an officer will be designated to handle complaints received. This is reflective of the Authority's commitment to customer satisfaction and delivering a personalised service.

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## **Freedom of Information**

The *Freedom of Information Act 1992* created a general right of access to documents held by state and local government agencies. The Act requires agencies to make available details about the kind of information they hold and enables persons to ensure that personal information held by Government agencies about them is “accurate, complete, up to date and not misleading”.

Records and files held by the Authority cover two main areas: policy and administration files, and property files. This information can be viewed by members of the public upon application to the FOI Coordinator, Department of Housing, 99 Plain Street, East Perth WA 6004.

During the 2012-13 reporting period, no applications were received for access to personal information under the Act.

## **Marketing, Promotion and Sponsorship and Advertising**

The Authority home loan products were promoted by Keystart, through radio opportunities and exhibits at numerous regional events throughout Western Australia including field days and expos. These exhibits and events provided excellent opportunities for attending representatives and other prospective customers to become aware of the services offered by the Authority. The housing loan products are also promoted on the Keystart website at [www.keystart.com.au](http://www.keystart.com.au).

Raising awareness continues to be a large part of the regional marketing to ensure housing assistance is provided throughout rural and remote Western Australia.

Section 175ZE of the *Electoral Act 1907* requires public agencies to report details of expenditure to organisations providing services in relation to advertising, market research, polling, direct mail and media advertising. The Authority has not incurred expenditure of this nature.

## **Publications**

Application forms for each of the Authority’s loan programs are provided including detailed explanatory information and current terms and conditions of the loan, which are updated regularly to ensure accuracy. Application forms can be obtained by calling the Country Housing office on 9338 3180 or toll free on 1800 158 200 for country callers.

The Annual Report is available on request from the Authority or via the website [www.keystart.com.au](http://www.keystart.com.au).

## **Record Keeping**

The Department of Housing provides records services for the Authority and compliance with the *State Records Act 2000*.

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## Sustainability

The Department of Housing has a formulated action plan in accordance with the Sustainability Code of Practice and administers this plan on behalf of the Authority.

## Administered Legislation

The Authority administers the *Country Housing Act 1998* and in the conduct of its business is subject to a wide range of State and Commonwealth statutes.

## Other Key Legislation Impacting on the Authority's Activities

In the performance of its functions, the Authority has exercised all reasonable care to comply with relevant written laws, as amended from time to time, including:

- *Financial Management Act 2006*
- *Public Sector Management Act 1994*
- *Equal Opportunity Act 1984*
- *Occupational Health, Safety and Welfare Act 1984*
- *Industrial Relations Act 1979*
- *State Supply Commission Act 1991*
- *Transfer of Land Act 1893*
- *Land Administration Act 1997*
- *Local Government Act 1995*
- *Fair Trading Act 1987/2010*
- *Housing Act 1980*
- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*
- *Freedom of Information Act 1992*
- *National Consumer Credit Protection Act 2009 (Cth)*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Minimum Conditions of Employment Act 1993*
- *Library Board of Western Australia Act 1951*
- *Disability Services Act 1993*
- *State Records Act 2000*
- *Electoral Act 1907*

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## AGENCY PERFORMANCE

### Report on Operations

#### VALUES

The Authority places importance on its values as they shape the way the Authority operates.

**Accountability** – Taking responsibility for actions and outcomes.

**Integrity** – Abiding by company policies to protect clients, staff and the business.

**Professionalism** – Working in a team environment to carry out duties in a way that instils confidence in clients and colleagues.

**Loyalty** – Dedication to commitments and obligations in the workplace.

**Confidentiality** – Respecting the privacy principles of the business and the privacy rights of others.

**Commitment to customer service** – Striving to meet the needs of customers in an environment of regular change.

#### KEY DRIVERS

The Authority identified the following key drivers and strategic goals as being essential for the effective performance of its functions.

##### **Affordable Housing Loan Products**

- To provide affordable and accessible home loans that meet the needs of the Authority's clients where housing finance options are otherwise limited.

##### **Awareness and Education**

- To develop community awareness of the Authority's role through a Strategic Marketing Plan.
- Use networks effectively to obtain customer feedback and gather market intelligence.

##### **Customer Service**

- To offer a professional service to Authority customers and provide a holistic approach throughout the life of the loan.
- Establish best practice turn-around timeframes and achieve customer satisfaction for both new and existing clients.
- Effective utilisation of the SLA between the Authority and Keystart Loans Ltd.
- To maintain good corporate governance and fiduciary duties and meet compliance obligations
- To adhere to the Authority's lending philosophy and its policies

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## Compliance

- To comply with all relevant legislation, statutes and government policy.
- To maintain good corporate governance and fiduciary duties and meet compliance obligations
- To stay within government borrowing limits.
- To adhere to the Authority's lending policies.

## Major products provided by Country Housing Authority

### Housing Finance Access Programme (HFAP)

HFAP was developed in recognition of affordable housing finance not necessarily being readily available in some country areas of Western Australia compared with availability and access in metropolitan and/or major regional areas.

Assistance is provided to farmers, pastoralists and rural employers, including local government, for housing themselves or their employees. By ensuring that farmers and rural employers have access to housing for themselves, their dependants and their employees, the Authority encourages the sustainment and development of country communities.

Security for HFAP loans is generally in the form of a registered mortgage.

In 2012-13, 91 farmers, pastoralists and businesses were approved assistance under the HFAP, with loan approvals totalling \$17,421,866 excluding RAPS applications.

### Rural Area Power Scheme (RAPS)

In March 2002, the Authority extended assistance to include the installation of renewable energy systems to replace unreliable and high cost diesel generators for the home. During 2012-13 one application for RAPS was approved with the loan totalling \$50,000.

### Natural Disasters

The Board approved in late 2011 that, when a natural disaster occurs, the Board will meet to determine the amount of support that the Authority will assist with.

The immediate responsiveness to disaster situations enables the individuals and regional communities to restore services, by providing essential housing to employees and owners of businesses and farming operations.

Applicants are eligible for assistance under this programme if their operations are in or near the area affected by the natural disaster, and the financial assistance must add to, repair or replace housing damaged or destroyed by the natural disaster.

During 2012-13 no assistance was required as a result of natural disaster. This program now sits within the HFAP mentioned above.



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## SIGNIFICANT ISSUES AFFECTING THE AGENCY

### Loans Management

The Authority's programs are funded by borrowings from the Western Australian Treasury Corporation or from internally generated sources.

### Interest Rates

The standard interest rate moved three times during the 2012-13 financial year. Note: the Authority currently operates a standard and grand-fathered rate.

<i>Rate start date</i>	<i>Repayment start date</i>	<i>Pre Oct 2009</i>		<i>Post Oct 2009</i>	
		<i>Old rate</i>	<i>New rate</i>	<i>Old Rate</i>	<i>New Rate</i>
17 October 2012	17 November 2012	5.99%	5.79%	6.77%	6.57%
17 December 2012	17 January 2013	5.79%	5.59%	6.57%	6.37%
13 May 2013	13 June 2013	5.59%	5.34%	6.37%	6.12%

### Loan Fees

The Authority does not charge application or loan management fees, or for lump sum or extra payments on standard loans.

### Loans Portfolio

The Authority's funded loan portfolio of 533 loans is valued at \$66,996,270 at 30 June 2013.

### Current and emerging issues

Technological enhancements to the Authority's software, including electronic records management, administered by Keystart will enable a more streamlined loans processing system and provide improved reporting capabilities in 2013-14 and beyond.

The Authority will continue to provide home loan options for farmers, pastoralists and rural employers who cannot access normal bank finance.

### Economic and social trends

A lack of rain and in some areas unseasonal rains at harvest time reduced the quality, yield and expected prices of grains during the 2012-13 financial year. In addition livestock/commodity prices were generally lower than expected across rural Western Australia.

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Migration from rural communities and towns to larger regional centres and/or the metropolitan area has had a detrimental economic and social impact of some rural communities. Despite instability of some local economies due to the unseasonal conditions, rural migration and falling commodity prices home loan approvals in rural and remote Western Australia increased from the previous financial year.

The economic and social trends occurring throughout rural and remote Western Australia will continue to be monitored during 2013-14.

Areas of regional Western Australia continued to be the source of much of Australia's wealth in the resource sector however the sector experienced a slow-down in the 2012-13 financial year.

### **Changes in Written Law**

There were no changes in any written law that affected the Authority during the financial year.

### **Likely future developments**

The Authority will continue to monitor the housing needs of rural and remote Western Australians and respond accordingly.

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## DISCLOSURES AND LEGAL COMPLIANCE

### Certification of Financial Statements

#### FOR THE YEAR ENDING 30 JUNE 2013

The accompanying financial statements of the Country Housing Authority have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2013 and the financial position as at 30 June 2013.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Mr Jason Berry  
Chairperson of the Accountable  
Authority

30 August 2013



Dr Kylie Coulson  
Member of the Accountable  
Authority

30 August 2013



Mr John Vojkovich  
Chief Finance Officer

30 August 2013



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### COUNTRY HOUSING AUTHORITY

#### Report on the Financial Statements

I have audited the accounts and financial statements of the Country Housing Authority.

The financial statements comprise the Statement of Financial Position as at 30 June 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

#### *Board's Responsibility for the Financial Statements*

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Country Housing Authority at 30 June 2013 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

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## **Report on Controls**

I have audited the controls exercised by the Country Housing Authority during the year ended 30 June 2013.

Controls exercised by the Country Housing Authority are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

### *Board's Responsibility for Controls*

The Board is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Country Housing Authority based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Authority complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the controls exercised by the Country Housing Authority are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2013.

## **Report on the Key Performance Indicators**

I have audited the key performance indicators of the Country Housing Authority for the year ended 30 June 2013.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

### *Board's Responsibility for the Key Performance Indicators*

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Board determines necessary to ensure that the key performance indicators fairly represent indicated performance.

### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

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An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the key performance indicators of the Country Housing Authority are relevant and appropriate to assist users to assess the Authority's performance and fairly represent indicated performance for the year ended 30 June 2013.

**Independence**

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

**Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Country Housing Authority for the year ended 30 June 2013 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL ASSURANCE SERVICES  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
30 August 2013

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## KEY PERFORMANCE INDICATORS

### Certification of Key Performance Indicators

for the year ending 30 June 2013

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Authority's performance, and fairly represent the performance of the Authority for the financial year ended 30 June 2013.



Jason Berry  
Chairman of the Accountable  
Authority

Date: 30 August 2013



Kylie Coulson  
Member of the Accountable  
Authority

Date: 30 August 2013

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## GOVERNMENT GOAL

To ensure that regional Western Australia is strong and vibrant.

## OUTCOME

Access to residential housing in rural areas for eligible clients.

The Authority achieves this outcome by providing housing loans directly and via facilitation and housing incentives services.

## EFFECTIVENESS INDICATOR

The percentage of eligible applicants who are assisted and the total number of eligible applicants.

	2009-10	2010-11	2011-12	2012-13
Eligible Applicants b/f	11	8	13	6
Plus Eligible Applications received	84	93	91	102
Less Eligible Applications withdrawn	18	18	28	10
Net applications assessed	77	83	76	98
Number of clients assisted	69	70	70	92
Eligible applicants c/f	8	13	6	6
Actual % assisted	90	84	92	94
Target % assisted	87	87	87	87



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## EFFICIENCY INDICATOR

### Service 1: Housing Loan provision and facilitation

Efficiency indicator: The average cost in each year in administering housing loans.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Average cost of loan administered	\$2,302	\$2,539	\$1,549	\$1,888	\$1,749	\$1,967

The 2012/13 average cost of loan administration is \$ 1,967 per annualized active loan, which is higher than prior year due to a higher number of approved loans in the current year.

### Service 2: Housing Incentives

Efficiency indicator: The average cost in each year in administering housing incentives.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Average cost of housing incentives administered	\$117	\$131	\$106	\$254	\$492	\$Nil

During the current financial period, there were no housing incentive grants. The audit of the Housing Development Incentive Programme was completed, and program funding of \$100,000 was returned to the Treasury.

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# **FINANCIAL STATEMENTS**

## **2012-13**

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## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Interest Revenue	5	<u>3,930</u>	<u>4,361</u>
<b>Total Income</b>		<u>3,930</u>	<u>4,361</u>
<b>EXPENSES</b>			
Board member fees	6	52	40
Employee benefits expenses	6	-	(84)
Supplies and services	7	22	26
Depreciation expense	8	46	46
Administration expense	9	1,035	920
Finance costs	10	1,630	2,652
Other expenses	11	49	63
Grants and subsidies	12	-	125
<b>Total expenses</b>		<u>2,834</u>	<u>3,788</u>
<b>PROFIT FOR THE PERIOD</b>		<u>1,096</u>	<u>573</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items not reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>1,096</u>	<u>573</u>

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

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## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	21	574	917
Restricted cash and cash equivalents	13	50	150
Receivables	14	528	530
Loans and advances	15	8,427	7,949
<b>Total Current Assets</b>		<u>9,579</u>	<u>9,546</u>
<b>Non-Current Assets</b>			
Loans and advances	15	58,534	55,802
Furniture and office equipment	16	26	72
<b>Total Non-Current Assets</b>		<u>58,560</u>	<u>55,874</u>
<b>TOTAL ASSETS</b>		<u>68,139</u>	<u>65,420</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	17	276	458
Amounts due to Treasurer	18	38	36
Borrowings	19	42,569	40,563
<b>Total Current Liabilities</b>		<u>42,883</u>	<u>41,057</u>
<b>Non-Current Liabilities</b>			
Amounts due to Treasurer	18	1,546	1,680
Borrowings	19	731	800
<b>Total Non-Current Liabilities</b>		<u>2,277</u>	<u>2,480</u>
<b>TOTAL LIABILITIES</b>		<u>45,160</u>	<u>43,537</u>
<b>NET ASSETS</b>		<u>22,979</u>	<u>21,883</u>
<b>EQUITY</b>			
Contributed equity	20	13,000	13,000
Retained earnings	20	9,979	8,883
<b>TOTAL EQUITY</b>		<u>22,979</u>	<u>21,883</u>

The statement of financial position should be read in conjunction with the accompanying notes.

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## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2013

	Contributed Equity \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 July 2011</b>	13,000	8,310	21,310
Total comprehensive income for the period	-	573	573
<b>Balance as at 30 June 2012</b>	<u>13,000</u>	<u>8,883</u>	<u>21,883</u>
<b>Balance at 1 July 2012</b>	13,000	8,883	21,883
Total comprehensive income for the period	-	1,096	1,096
<b>Balance as at 30 June 2013</b>	<u>13,000</u>	<u>9,979</u>	<u>22,979</u>

The statement of changes in equity should be read in conjunction with the accompanying notes.

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## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Interest Received		3,956	4,403
Loan repayments received		7,962	7,884
<b>Payments</b>			
Finance costs		(1,689)	(2,037)
Supplies and services		(1,422)	(1,040)
Grants and subsidies		-	(25)
New loans advanced		(11,146)	(9,609)
<b>Net cash used in operating activities</b>	21(c)	<u>(2,339)</u>	<u>(424)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		3,000	1,000
Repayment of borrowings		<u>(1,104)</u>	<u>(125)</u>
<b>Net cash provided by financing activities</b>		<u>1,896</u>	<u>875</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(443)	451
Cash and cash equivalents at the beginning of the period		1067	616
<b>CASH AND CASH EQUIVALENT ASSETS</b>			
<b>AT THE END OF PERIOD</b>	21(a)	<u>624</u>	<u>1,067</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. Australian Accounting Standards

#### General

The financial statements of the Country Housing Authority ('Authority') for the year ended 30 June 2013 have been prepared in accordance with the Australian Accounting Standards.

The Authority has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

#### Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Authority for the annual reporting period ended 30 June 2013.

### 2. Significant Accounting Policies

#### (a) General statement

The Authority is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### (b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included at Note 3 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included at Note 4 'Key sources of estimation uncertainty'.

#### (c) Reporting Entity

The reporting entity comprises the Authority.

## 2. Significant Accounting Policies (continued)

### (d) New accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not been adopted by the Authority for the annual reporting period ending 30 June 2013, are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Authority financial report	Application date for Authority*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p>	1 January 2015	The Authority has not yet assessed the impact of the amendment.	1 July 2015
AASB 13	Fair Value Measurement	AASB 13 defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements.	1 January 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p>	1 July 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 1055	Budgetary Reporting	<p>This Standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (CGS) and not-for-profit entities within CGS of each government.</p> <p>AASB2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to the public sector entities are now located in AASB 1055.</p>	1 July 2014	The Authority has not yet assessed the impact of the amendment.	1 July 2014



## 2. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Authority financial report	Application date for Authority*
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	This Standard makes amendments to various Australian Accounting Standards and Interpretations.  These amendments arise from the issuance of AASB 9 Financial Instruments.	1 January 2015	The Authority has not yet assessed the impact of the amendment.	1 July 2015
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements	This Standard makes amendments to AASB 101 Presentation of Financial Statements and AASB 1054 Australian Additional Disclosures, in relation to Australian additional disclosures arising from the Trans-Tasman Convergence Project.	1 July 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13	This Standard makes amendments to various Australian Accounting Standards and Interpretations.  These amendments arise from the issuance of AASB 13 Fair Value Measurements.  This Standard shall be applied when AASB 13 is applied.	1 January 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 2012-01	Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8.	1 July 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013

## 2. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Authority financial report	Application date for Authority*
AASB 2012-02	Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	This Standard makes amendments to Australian Accounting Standards AASB 7 Financial Instruments: Disclosures and AASB 132 Financial Instruments: Presentation.  These amendments arise from the issuance of Disclosures – Offsetting  Financial Assets and Financial Liabilities (Amendments to IFRS 7) by the International Accounting Standards Board in December 2011.	1 January 2013	The Authority has not yet assessed the impact of the amendment.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legal enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Authority has not yet assessed the impact of the amendment	1 July 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	This Standard makes amendments to various Australian Accounting Standards and Interpretations. These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards.	1 January 2013	The Authority has not yet assessed the impact of the amendment	1 July 2013
AASB 2012-6	Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	This Standard makes amendments to various Australian Accounting Standards and Interpretations. This Standard amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013.	1 January 2013	The Authority has not yet assessed the impact of the amendment	1 July 2013

\*Designates the beginning of the applicable annual reporting period

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## 2. Significant Accounting Policies (continued)

### (d) Income

#### Revenue Recognition

Revenue recognised is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *(i) Interest*

Revenue is recognised as the interest accrues using the effective interest rate method.

#### *(ii) Grants And Other Contributions Revenue*

Revenue is recognised at fair value when the Authority obtains control over the assets comprising the contributions, usually when cash is received.

### (e) Property, Plant & Equipment

#### *(i) Capitalisation/Expensing Of Assets*

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

#### *(ii) Initial Recognition And Measurement*

All items of plant and equipment are initially recognised at cost. For items of plant and equipment acquired at no cost or nominal cost, cost is their fair value at the date of acquisition.

#### *(iii) Subsequent Measurement*

After recognition as an asset, the Authority uses the cost model for all property, plant and equipment and are carried at cost less accumulated depreciation and accumulated impairment losses.

### (f) Depreciation Of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefit.

Depreciation is calculated using the straight line basis, using rates which are reviewed annually. Estimated useful lives for each class of depreciable assets are:

	2013	2012
Furniture and Fittings	4.5 years	4.5 years
Office Equipment	10 years	10 years

### (g) Impairment Of Assets

Property, plant and equipment are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

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## 2. Significant Accounting Policies (continued)

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

### (h) Leases

The Housing Authority, on behalf of the Authority, has entered into an operating lease agreement for buildings where the lessor effectively retains all the risks and benefits incident to ownership of the items held under the operating leases. Lease payments are expensed on a straight line basis over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

### (i) Cash And Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

### (j) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

### (k) Payables

Payables are recognised as the amounts payable when the Authority becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

### (l) Borrowings

All loans payable are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

### (m) Amounts Due To The Treasurer

The amount due to the Treasurer is in respect of a former loan to the Industrial & Commercial Employees Housing Authority (ICEHA). ICEHA was amalgamated with the Rural Housing Authority to establish the Country Housing Authority on 1 July 1998. The outstanding amount due to the Treasurer is interest free and is repayable in monthly instalments.

The amount was initially recognised at fair value of the net proceeds received. Subsequent measurement is at fair value.

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## 2. Significant Accounting Policies (continued)

### (n) Financial Instruments

The Authority has two categories of financial instrument:

#### *(i) Loans And Receivables*

#### *(ii) Non-Trading Financial Liabilities (borrowings, payables and amounts due to the Treasurer)*

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### (o) Loans And Advances

Loans and advances are initially measured at fair value. Loans and advances are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

The Authority assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The main objective evidence is when the loan is in arrears.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income.

In the case of loans and advances, a provision for impairment is made when there is objective evidence that the loan will not be collectable. When a receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income within 'Provision for Impairment of Loans and Advances'. When a loan or advance is uncollectable, it is written off against the allowance account for loans and advances. Subsequent recoveries of amounts previously written off are credited against 'Provision for Impairment of Loans and Advances' in the Statement of Comprehensive Income.

Where possible, the Authority seeks to restructure loans rather than to take possession of collateral. This may involve extending or suspending payment arrangements while the borrower experiences financial difficulty. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

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## 2. Significant Accounting Policies (continued)

### (p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

### (q) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

## 3. Judgements Made By Management In Applying Accounting Policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Authority evaluates these judgements regularly.

### Operating Lease Commitments

The Authority has entered into a lease for buildings for branch office accommodation. The lease is of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, this lease has been classified as an operating lease.

## 4. Key Sources Of Estimation Uncertainty

The Authority makes key estimates and assumptions concerning the future. These estimates and assumptions are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### Impairment Of Loans And Advances

The Authority determines whether loans and advances are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows. The policy for the assessment of impairment of loans and advances is disclosed in Note 2(o).

## 5. Interest Revenue

	2013 \$'000	2012 \$'000
Interest on Bank account	33	48
Interest on Loans and Advances	3,897	4,313
	<u>3,930</u>	<u>4,361</u>

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**6. Board Member Fees and  
Employee Benefits Expenses**

	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Board Member Fees (a)	48	37
Superannuation - defined contribution plans	4	3
Employee benefits expense (b)	-	(84)
	<u>52</u>	<u>(44)</u>

(a) Includes the value of the fringe benefit to Board Members plus the fringe benefits tax component.

(b) Reflects excess of accrual in previous years over the final settlement amount.

**7. Supplies And Services**

Accommodation expense	<u>22</u>	<u>26</u>
	<u>22</u>	<u>26</u>

**8. Depreciation Expense**

Furniture and office equipment	<u>46</u>	<u>46</u>
	<u>46</u>	<u>46</u>

	2013 \$'000	2012 \$'000
<b>9. Administration Expense</b>		
Administration fee *	1,033	919
Bank Fees	<u>2</u>	<u>1</u>
	<u>1,035</u>	<u>920</u>

\* The Authority has a contractual agreement whereby Keystart Scheme Management Pty Ltd manages the Authority for a fee .

#### 10. Finance Costs

Interest Expense	1,722	2,054
Fair value adjustment on amounts due to the Treasurer	<u>(92)</u>	<u>598</u>
	<u>1,630</u>	<u>2,652</u>

#### 11. Other Expenses

External Audit fees (a)	44	58
Other	<u>5</u>	<u>5</u>
	<u>49</u>	<u>63</u>

(a) External audit fee for the prior period included \$42,020 for the statutory audit of the Authority and \$16,000 for the Housing Development Incentive Program review.

#### 12. Grants And Subsidies

Grants	<u>-</u>	<u>125</u>
	<u>-</u>	<u>125</u>



	2013 \$'000	2012 \$'000
<b>13. Restricted Cash And Cash Equivalents</b>		
Restricted Cash	50	150
	<u>50</u>	<u>150</u>
<b>14. Receivables</b>		
Interest receivable	528	530
	<u>528</u>	<u>530</u>
<b>15. Loans And Advances</b>		
<b>Current</b>		
Loans	8,463	7,985
Provision for impairment of loans	(36)	(36)
	<u>8,427</u>	<u>7,949</u>
<b>Non-current</b>		
Loans	58,534	55,802
	<u>66,961</u>	<u>63,751</u>

The Authority has formal processes in place to assess the credit worthiness of its clients including credit checks with credit reporting agencies. Fully performing receivables are considered to be of good quality when taking into consideration the security being held against the outstanding amount.

Receivables that are past due, but not impaired are not considered to be at significant risk, as in excess of \$484,000 (2012: \$200,000) in collateral security is held under mortgage to secure these advances. The total amount past due as at 30 June 2013 is \$5,495 (2012: \$9,690) on one loan amount of \$429,830 (2012: \$177,051).

At the end of the current financial period, there were two restructured loans on the Safety Net Scheme with amounts past due totalling \$2,136 (2012: Nil) with a total loan amount of \$27,671 (2012: Nil). This scheme is offered to clients who require assistance because of changes in their financial situation. In most cases, assistance is granted for short terms of up to six months.

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## 15. Loans and Advances (continued)

### (a) Collateral Held

Collateral is in the form of registered first mortgages over residential properties in Western Australia purchased with the proceeds of loans from the Authority. The parties granting the mortgage must be the same as the borrowers of the Authority.

The terms and conditions associated with the use of collateral are such that should a borrower breach the terms and conditions of their mortgage, the Authority has the facility to recover all or part of the outstanding exposure by exercising its rights under the mortgage, including the power of sale and; exercising any rights available under law.

### (b) Interest Rate Risk

Refer to Note 25 for an analysis of the Authority's exposure to interest rate risk in relation to loans and advances. A summarised analysis of the sensitivity of the loans and advances to interest rate risk is illustrated in note 25.

Reconciliation of changes in the allowance for impairment of receivables.

	2013 \$'000	2012 \$'000
Balance at start of year	36	36
Amounts written off during the year	-	-
Balance at end of year	<u>36</u>	<u>36</u>
Fair value of collateral obtained in terms of the exercising of rights under the mortgages	66,996	63,787

### Aged Analysis - Past Due Loans (\$000's)

	0-30 days	31-60 days	61-90 days	91+ days	Total
<b>2013</b>					
Loans past due	-	430	-	-	430
<b>2012</b>					
Loans past due	-	177	-	-	177

	2013 \$'000	2012 \$'000
<b>16. Furniture and Office Equipment</b>		
At cost	224	224
Accumulated depreciation	(198)	(152)
	<u>26</u>	<u>72</u>

#### **Furniture and Office Equipment reconciliation**

Carrying amount at the start of the year	72	118
Additions	-	-
Depreciation	(46)	(46)
Carrying amount at the end of the year	<u>26</u>	<u>72</u>

The depreciation of the capitalised costs of the office fit-out of 28 Kings Park is based upon the term of the leased premises.

#### **17. Payables Current**

Administration expenses	168	202
Provision for Onerous Contracts	12	47
Subsidies to Local Government	50	150
GST payable	2	1
Audit Fees	44	58
Total payables	<u>276</u>	<u>458</u>

	2013 \$'000	2012 \$'000
<b>18. Amounts Due To The Treasurer</b>		
<b>Current</b>		
Amount due to the Treasurer	38	36
<b>Non-current</b>		
Amount due to the Treasurer	1,546	1,680
Total due to Treasurer	<u>1,584</u>	<u>1,716</u>
<b>19. Borrowings</b>		
<b>Current</b>		
WATC fixed interest loans	69	63
WATC variable interest loans	<u>42,500</u>	<u>40,500</u>
	<u>42,569</u>	<u>40,563</u>
<b>Non Current</b>		
WATC fixed interest rate	<u>731</u>	<u>800</u>
	<u>731</u>	<u>800</u>

None of the assets of the Authority have been pledged as security for the borrowings.

Refer to note 25 for an analysis of the Authority's risk exposure.

	2013 \$'000	2012 \$'000
<b>20. Equity</b>		
<b>Contributed Equity</b>		
Balance at the start of the year	13,000	13,000
Balance at the end of the year	13,000	13,000

The Authority was established on 1 July 1998 by the amalgamation of the former Rural Housing Authority and the Industrial and Commercial Employees Housing Authority. The fair value of assets and liabilities transferred has been recognised as an injection of equity totalling \$13,000,000 by the State government.

<b>Retained Earnings</b>		
Balance at the start of the year	8,883	8,310
Result for the period	1,096	573
Balance at the end of the year	9,979	8,883

## 21. Notes to the Statement of Cash Flows

### (a) Cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	574	917
Restricted Cash	50	150
	624	1,067

### (b) Non-Cash Financing And Investing Activities

During the year there were no assets/liabilities transferred from other government agencies not reflected in the Statement of Cash Flows

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## 21. Notes to the Statement of Cash Flows (continued)

### (c) Reconciliation of Profit From Ordinary Activities To Net Cash Flows Used in Operating Activities

	2013 \$'000	2012 \$'000
Profit from ordinary activities	1,096	573
Non-cash items:		
Depreciation expense	46	46
Fair Value adjustment for the Amount due to the Treasurer	(92)	598
Provision for Onerous Contracts	12	47
Provision for Employee Costs	-	(84)
Decrease/(increase) in assets:		
Receivables	3	45
Loans and Advances	(3,210)	(1,756)
(Decrease)/increase in liabilities:		
Payables	(194)	107
Net cash used in operating activities	<u>(2,339)</u>	<u>(424)</u>

	2013 \$'000	2012 \$'000
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## 22. Commitments

Loans approved but not yet fully funded

7,551	4,515
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Lease Commitments at the reporting date but not recognised as liabilities, payable:

Within 1 year

55	166
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Later than 1 year and not later than 5 years

-	55
---	----

Later than 5 years

-	-
---	---

55	221
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### Office Accommodation

A five year lease commenced on 1 November 2009 over the premises located at Level 2, 28 Kings Park Road West Perth.

The lease term is unlikely to be extended beyond 31 October 2013.

## 23. Contingent Liabilities and Contingent Assets

The Authority has no contingent liabilities or assets.

## 24. Events Occurring after the Balance Sheet Date

No event after the reporting date has occurred which would cause the financial statements to be misleading or affect the Authority as a going concern.

## 25. Financial Instruments

### (a) Financial Risk Management Objectives And Policies

Financial instruments held by the Authority are cash and cash equivalents, loans, receivables, payables and borrowings. The Authority has limited exposure to financial risk. The Authority's overall risk management program focuses on managing the risks identified below.

#### (i) Credit Risk

Credit risk arises when there is the possibility of the Authority's customers defaulting on their contractual obligations resulting in financial loss to the Authority. The Authority only approves loans to applicants with a satisfactory credit history, sufficient income to service their commitments and adequate security to secure their loan.

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## 25. Financial Instruments (continued)

### *(ii) Liquidity Risk*

Liquidity risk arises from the financial liabilities of the Authority and the Authority's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Authority's objective is to drawdown funds from Western Australian Treasury Corporation (WATC) loan facilities on a as required basis in order to maintain sufficient funds to meet the day to day operations of the Authority and to meet loan drawdown requests and settlements of customers. The Authority has appropriate procedures in place to manage cash flows by monitoring cash levels on a daily basis to ensure that sufficient funds are available to meet its commitments.

### *(iii) Market Risk*

Market risk arises from adverse movements in interest rates, foreign-exchange rates, or equity prices. The Authority does not trade in foreign currency and is not materially exposed to other price risks. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are a combination of variable and fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than detailed in the Interest rate sensitivity analysis table at Note 25(c), the Authority has limited exposure to interest rate risk because it has no borrowings other than Treasurer's advance (non-interest bearing) and WATC borrowings. Changes in official lending rates are passed onto customers once approved by the Board and the Minister.

### **(b) Categories Of Financial Instruments**

In addition to cash, the carrying amounts of each of the following categories of financial assets and liabilities at the balance sheet date are as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>		
Cash and cash equivalents	624	1,067
Loans and advances	66,961	63,751
<b>Financial Liabilities</b>		
Borrowings	43,300	41,363
Amounts due to the Treasurer	1,584	1,716



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## 25. Financial Instruments (continued)

### (c) Financial Instrument Disclosures

The following tables detail the exposure to liquidity risk and interest rate risk as at balance sheet date.

#### *(i) Contractual Maturity Dates - undiscounted cash flows (\$'000)*

	Within 1 year	1-2 Years	2-3 Years	3-5 Years	More than 5 Years	Total
<b>2013</b>						
<b>Financial Liabilities</b>						
Payables	276	-	-	-	-	276
Borrowings	42,775	123	122	234	511	43,765
Amounts due to the Treasurer	38	40	41	88	2,912	3,119
	<u>43,089</u>	<u>163</u>	<u>163</u>	<u>322</u>	<u>3,423</u>	<u>47,160</u>
<b>2012</b>						
<b>Financial Liabilities</b>						
Payables	458	-	-	-	-	458
Borrowings	40,767	127	123	245	622	41,884
Amounts due to the Treasurer	36	38	40	85	2,957	3,156
	<u>41,261</u>	<u>165</u>	<u>163</u>	<u>330</u>	<u>3,579</u>	<u>45,498</u>

## 25. Financial Instruments (continued)

### (ii) Interest Rate Sensitivity Analysis

2013	Weighted average interest rate%	Carrying amount \$'000	-1% change		+1% change	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	4.47%	624	(6)	(6)	6	6
Loans and advances	5.94%	66,996	(670)	(670)	670	670
<b>Financial Liabilities</b>						
Payables	-	276	-	-	-	-
Borrowings	4.03%	42,500	425	425	(425)	(425)
			(251)	(251)	251	251

2012	Weighted average interest rate%	Carrying amount \$'000	-1% change		+1% change	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	4.72%	1,067	(11)	(11)	11	11
Loans and advances	6.79%	63,787	(638)	(638)	638	638
<b>Financial Liabilities</b>						
Payables	-	458	-	-	-	-
Borrowings	4.91%	40,500	405	405	(405)	(405)
			(244)	(244)	244	244

## 25. Financial Instruments (continued)

### (iii) Credit Risk Exposure

The Authority's maximum exposure to credit risk at the reporting date in relation to recognised financial assets is the carrying amount of those assets reported in the Statement of Financial Position.

The Authority's credit risk is spread over a significant number of parties concentrated in the farming and business sector in rural Western Australia. The authority is therefore not materially exposed to any particular individual party.

### (iv) Net Fair Values

	<b>2013</b>	<b>Fair value</b>	<b>2012</b>	<b>Fair value</b>
	<b>Carrying amount</b>		<b>Carrying amount</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
WATC variable rate loans	42,500	42,543	40,500	40,524
WATC fixed rate loans	800	899	863	991
	<u>43,300</u>	<u>43,442</u>	<u>41,363</u>	<u>41,515</u>

The fair value of current borrowings is determined using the Compound Cash Rate formula or discounted cash flow formula, which takes into consideration known future cash flows (the next coupon date) and an annuity based on the difference between the coupon margin executed against the current trading margin. The fair values, as at 30 June 2013, are approximately 0.33% higher than the carrying amount (2012: 0.37% higher).

## 26. Remuneration of Members of The Accountable Authority and Senior Officers

### (a) Remuneration Of Members Of The Accountable Authority

The numbers of members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
\$10,001 - \$20,000	3	4
Base remuneration and superannuation	42	32
Annual leave and long service leave accruals	-	-
Other benefits	<u>10</u>	<u>8</u>
The total remuneration of members of the accountable authority	<u>52</u>	<u>40</u>

The superannuation included here represents the superannuation expense incurred by the Authority in respect of members of the Accountable Authority.

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## 26. Remuneration Of Members Of The Accountable Authority And Senior Officers (continued)

### (b) Remuneration Of Senior Officers

During the financial year, there were no employees as management is provided by Keystart on a cost recovery basis in accordance with contractual arrangements.

## 27. Remuneration Of The Auditor

Remuneration payable to the Auditor General for the financial year is as follows:

	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
Auditing the accounts, financial statements and performance indicators	<u>44</u>	<u>58</u>

## 28. Supplementary Financial Information

### (a) Write Offs

During the year no public property was written off by the Minister. No loans were written off during the current year.

### (b) Losses Through Theft, Default And Other Causes

There were no losses written off or recovered during the financial year

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## 29. Explanatory Statement

This statement provides the details of any significant variations between estimates and actual results for 2013 and between the actual results for 2012 and 2013. Significant variations are considered to be those greater than 10% or \$100,000.

### (i) Significant Variances between Actual And Estimate Results For the Current Financial Year

	2013 Actual \$'000	2013 Estimate \$'000	Variance \$'000	
<b>Income</b>				
Interest Revenue	3,930	4,108	(178)	(4%)
<b>Expenses</b>				
Board Member fees	52	55	3	5%
Supplies and services	22	-	(22)	(100%)
Depreciation	46	49	3	6%
Administration expense	1,035	971	(64)	(7%)
Finance costs	1,630	1,875	245	13%
Other expenses	49	132	83	63%
Profit	1,096	1,026		

### Explanation of variations

#### Interest Revenue

Interest charged to borrowers accounts was lower in the current year than forecast. This was a result of lower average interest rates and a lower average balance in the mortgage portfolio than expected.

#### Supplies and services

Rental shortfall on subletting of the Kings Park premises higher than forecast.

#### Finance costs

Interest charged by WA Treasury Corporation was lower in the current year than forecast. This was a result of lower average cost of funds than expected.

#### Other expenses

Provision for bad debts in the estimate has not materialised in the current financial period.

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## 29. Explanatory Statement (continued)

### (ii) Significant Variances Between Current Year Actual And Prior Year Actual

	2013 Actual \$'000	2012 Actual \$'000	Variance \$'000	
<b>Income</b>				
Interest Revenue	3,930	4,361	(431)	(10)%
<b>Expenses</b>				
Board Member fees	52	40	(12)	(30%)
Employee benefits expense	-	(84)	(84)	(100%)
Supplies and services	22	26	4	15%
Depreciation	46	46	-	-
Administration expense	1,035	920	(115)	(13%)
Finance costs	1,630	2,652	1,022	39%
Other expenses	49	63	14	22%
Grants and subsidies	-	125	125	100%
Profit	1,096	573		

#### Explanation of variations

##### Interest Revenue

The average interest charged to borrowers' accounts was lower in the current year compared to the prior year due to lower average interest rates.

##### Board Member Fees and Employee benefits

As required by the Act, the number of Board members increased during the year. With the exception of Board Members, the Authority did not directly employ any staff during the year. The Authority outsourced its operations from 1 July 2009.

Employee benefits in the prior year included the reversal of excess accruals following final settlement of the liability.

##### Supplies and services

Rental shortfall on subletting of the Kings Park premises was lower than the prior year due to a rent increase following a review.

##### Administration expense

The Authority is charged a fee on a unit cost recovery basis. Loan volumes were higher in the current financial period.

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## 29. Explanatory Statement (continued)

### Finance costs

A fair value reduction adjustment of \$91,915 to the Amounts due to the Treasurer was made in the current year. In the prior year, there was an increase adjustment of \$598,400. The average cost of borrowing was lower in the current year compared to the prior year due to lower average interest rates.

### Other expenses

Prior year other expenses included \$16,000 for the audit of the Housing Development Initiative Program.

### Grants and subsidies

No grants were paid during the current financial period.

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## ANNUAL ESTIMATES

	<b>2013/14</b>
	<b>\$'000</b>
<b>INCOME</b>	
<b>Revenue</b>	
Interest Revenue	4,211
<b>Total Income</b>	<u>4,211</u>
 <b>EXPENSES</b>	
Finance costs	1,849
Administration expense	1,120
Other expenses	87
Board member fees	52
Depreciation expense	17
Supplies and services	-
Grants and subsidies	-
<b>Total expenses</b>	<u>3,125</u>
 <b>Profit</b>	 <u>1,086</u>



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## CONTACT INFORMATION

The Office of the Country Housing Authority is located at:

2 Brook Street East Perth WA 6004

This office is the headquarters for all country loans as part of the alliance between Keystart and the Country Housing Authority.

Mailing Address:

Country Housing Authority  
C/- Keystart  
PO Box 6679  
East Perth WA 6892  
Phone: (08) 9338 3180  
Fax: (08) 9338 3152  
Email: [enquiries@keystart.com.au](mailto:enquiries@keystart.com.au)

Country callers can use the toll free phone number  
1800 158 200

Country Housing and Keystart website can be accessed via:  
[www.country.keystart.com.au](http://www.country.keystart.com.au) or  
[www.keystart.com.au](http://www.keystart.com.au)

Visit the Department of Housing website:  
[www.housing.wa.gov.au](http://www.housing.wa.gov.au)

[www.country.keystart.com.au](http://www.country.keystart.com.au)



Government of **Western Australia**  
Department of **Housing**