



**Country Housing Authority**  
**Annual Report**  
**2014 - 2015**



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### Contact Details

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PO Box 6679	2 Brook Street	Email <a href="mailto:info@keystart.com.au">info@keystart.com.au</a>
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## STATEMENT OF COMPLIANCE

**For year ended 30 June 2015**

**HON COLIN HOLT MLC**

**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 2015.

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



Donna Lynch  
Deputy Chairperson of  
Country Housing Authority  
28 August 2015



John Donovan  
Board Member of Country Housing  
Authority  
28 August 2015

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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 57 approved loans at a value of \$13.9 million in 2014-15.

The Authority is self-funded and provides rural customers with financial assistance through its operating activities, placing no demands 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 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 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 2015-16.



Donna Lynch  
Country Housing Authority  
Deputy Chairperson

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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, pastoralists 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, installation of 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 Colin Holt MLC, 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 Loans Ltd (“Keystart”) is to administer the operations of the Authority on its behalf. This SLA remains in place and is reviewed on an annual basis by the Board to ensure it remains effective.

The Chief Finance Officer of the Authority is the Keystart Chief Financial 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 paid \$34,308, Ms Donna Lynch was paid \$25,793 and Mr Ray Colyer was paid \$11,388 in 2014-15. 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 the Housing Authority.

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 former 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. Resigned August 2015.*

#### 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.*

#### Mr Ray Colyer

Mr Colyer has been a small business owner in Western Australia over the last 20 years. *Appointed February 2012. Resigned March 2015.*

#### Dr Kylie Coulson

Dr Coulson has 20 years financial and economic employment experience, including 16 years in the public sector. She is a Certified Practising Accountant, and a Graduate member of the Australian Institute of Company Directors. *Appointed May 2012. Resigned September 2014.*

#### Ms Julie De Jong

Ms Julie De Jong is the Executive Director for the Industry and Innovation Division in the Department of Commerce and has extensive experience in the State's industrial and knowledge based resources management. *Appointed April 2014. Resigned August 2014.*

#### Mr John Donovan

Mr Donovan has been the Director Policy and Planning, for the Office of the Director General of the Department of Commerce between 2005 and 2010 and again from 2012 until present. He holds a Bachelor of Arts (Politics, History) and a Masters of Art (Urban Planning and Politics). *Appointed December 2014 to current.*

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## Mr Sean Cameron

Mr Cameron is currently Director, Resourcing at WA Treasury and has oversight of approximately 60 agencies. He has over 30 years' experience in this industry. *Appointed October 2014 to current.*

During 2014-15, the Country Housing Authority Board met on 8 occasions and the Audit Committee met twice.

	Full Board of Directors		Audit Committee	
	A	B	A	B
Jason Berry	8	8	2	2
Donna Lynch	8	8	-	-
Ray Colyer	6	6	-	-
Kylie Coulson	3	3	1	1
Julie De Jong	2	2	-	-
Sean Cameron	4	4	1	1
John Donovan	3	3	1	1

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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## **Indemnification of the Board**

During the period ending 30 June 2015 the Authority paid insurance premiums in respect of Directors' and Officers' liability insurance on a claims basis for any past, present or future board member, secretary, executive officer or employee of the Authority.

## **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 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.

## **Audit Committee**

The Authority uses the internal audit services of Deloitte under a contract signed by Keystart. An 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.

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## **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.

## **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 2014-15.

## **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.

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## **Customer Complaints**

No formal or informal complaints were received from customers, either directly or through a third party during 2014-15.

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.

## **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, Housing Authority, 99 Plain Street, East Perth WA 6004.

During the 2014-15 reporting period, no applications were received for access to personal information under the Act.

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

The Authority's home loan products are promoted by Keystart, through radio opportunities and exhibits at numerous regional events throughout Western Australia including field days and expos. These exhibits and events provide 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; or by making an online enquiry at [www.keystart.com.au](http://www.keystart.com.au).

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

### **Sustainability**

The Housing Authority 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:

- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)
- *Auditor General Act 2006*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Fair Trading Act 1987/2010*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Housing Act 1980*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Local Government Act 1995*
- *Minimum Conditions of Employment Act 1993*
- *National Consumer Credit Protection Act 2009* (Cth)
- *Occupational Health, Safety and Welfare Act 1984*
- *Public Sector Management Act 1994*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Transfer of Land Act 1893*
- *Public Interest Disclosure Act 2003*

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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 2014-15, 57 farmers, pastoralists and businesses were approved assistance under the HFAP, with loan approvals totalling \$13,876,000.

### **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 provide.

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 2014-15 no assistance was required as a result of natural disaster. This program now sits within the HFAP as explained 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 twice during the 2014-15 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>
16 February 2015	16 March 2015	5.08%	4.82%	5.86%	5.60%
13 May 2015	13 June 2015	4.82%	4.60%	5.60%	5.38%

### 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 505 loans is valued at \$69,043,833 at 30 June 2015.

### Current and emerging issues

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

Favourable weather conditions have continued this financial year resulting in livestock/commodity prices continuing to be stable across rural Western Australia. This has driven greater confidence in debt and loans for housing.

During the financial year the resource sector continued to slowdown due to a contraction in infrastructure spending. This has not had a significant effect on the Authority loan valuations as the portfolio is mostly located in farming areas and not mining towns.

The economic and social trends occurring throughout rural and remote Western Australia will continue to be monitored during 2015-16.

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### **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.



## 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 2015, 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 2015 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 2015.

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 2015.

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

I have audited the key performance indicators of the Country Housing Authority for the year ended 30 June 2015.

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 2015.

**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 2015 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 FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
31 August 2015

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## COUNTRY HOUSING AUTHORITY

### CERTIFICATION OF KEY PERFORMANCE INDICATORS THE YEAR ENDING 30 JUNE 2015

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Country Housing Authority's performance, and fairly represent the performance of the Country Housing Authority for the financial year ended 30 June 2015



Donna Lynch  
Deputy Chairperson of the Accountable Authority  
Authority

28 August 2015



John Donovan  
Board Member of the Accountable Authority

28 August 2015

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## PERFORMANCE INDICATORS

### GOVERNMENT GOAL

To ensure that regional Western Australia is strong and vibrant.

### DESIRED OUTCOME

To provide access to residential housing in rural areas for eligible clients predominately through mortgage lending.

The Authority achieves this desired 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.

	2011/12	2012/13	2013/14	2014/15
Eligible applicants brought forward	13	6	6	4
Plus eligible applications received	91	102	67	65
Less eligible applications withdrawn	28	10	6	5
Net applications assessed	76	98	67	64
Number of clients assisted	70	92	63	57
Eligible applicants carried forward	6	6	4	7
Actual % assisted	92	94	94	89
Target % assisted	87	87	87	87

The actual percentage of clients assisted reduced during the year due to a higher number of applications being carried forward to 2015/16.

The long-term percentage assisted target is reviewed by the Accountable Authority annually.

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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.

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Average cost of loan administered	\$1,549	\$1,888	\$1,749	\$1,967	\$1,667	\$1,812

The 2014/15 average cost of loan administration is \$1,812 per annualised active loan, which is higher than the prior year due to strategic project expenses, and therefore higher per loan administration costs.

### Service 2: Housing Incentives

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

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Average cost of housing incentives administered	\$106	\$254	\$492	\$Nil	\$Nil	\$Nil

During the current financial period, there were no housing incentive grants as the program ceased in 2012/13.

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**CERTIFICATION OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 30 JUNE 2015**

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 2015 and the financial position as at 30 June 2015.

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.



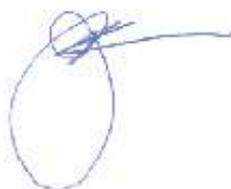
Donna Lynch  
Deputy Chairperson of the Accountable  
Authority

28 August 2015



John Donovan  
Board Member of the Accountable  
Authority

28 August 2015



John Vojkovich  
Chief Finance Officer

28 August 2015

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$'000	2014 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Interest revenue	5	<u>3,737</u>	<u>3,744</u>
<b>Total Income</b>		<u>3,737</u>	<u>3,744</u>
<b>EXPENSES</b>			
Board member fees	6	71	77
Supplies and services		-	6
Depreciation expense	12	2	17
Administration expense	7	873	899
Finance costs	8	1,785	1,572
Other expenses	9	<u>126</u>	<u>1</u>
<b>Total expenses</b>		<u>2,857</u>	<u>2,572</u>
<b>PROFIT FOR THE PERIOD</b>		<u>880</u>	<u>1,172</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be classified to profit or loss		-	-
Items that may be 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>880</u>	<u>1,172</u>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015**

	Note	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17(a)	659	963
Restricted cash and cash equivalents	17(a)	-	50
Receivables	10	468	570
Loans and advances	11	9,956	10,924
<b>Total Current Assets</b>		<u>11,083</u>	<u>12,507</u>
<b>Non-Current Assets</b>			
Loans and advances	11	59,077	56,595
Furniture and office equipment	12	3	9
<b>Total Non-Current Assets</b>		<u>59,080</u>	<u>56,604</u>
<b>TOTAL ASSETS</b>		<u>70,163</u>	<u>69,111</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	13	247	269
Amounts due to Treasurer	14	42	40
Borrowings	15	44,827	43,572
<b>Total Current Liabilities</b>		<u>45,116</u>	<u>43,881</u>
<b>Non-Current Liabilities</b>			
Amounts due to Treasurer	14	1,733	1,520
Borrowings	15	583	659
<b>Total Non-Current Liabilities</b>		<u>2,316</u>	<u>2,179</u>
<b>TOTAL LIABILITIES</b>		<u>47,432</u>	<u>46,060</u>
<b>NET ASSETS</b>		<u>22,731</u>	<u>23,051</u>
<b>EQUITY</b>			
Contributed equity	16	13,000	13,000
Retained earnings	16	9,731	10,051
<b>TOTAL EQUITY</b>		<u>22,731</u>	<u>23,051</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 2015**

	<b>Contributed Equity \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance at 1 July 2013</b>	13,000	9,979	22,979
Total comprehensive income for the period	-	1,172	1,172
Distribution to the Treasurer	-	(1,100)	(1,100)
<b>Balance as at 30 June 2014</b>	<u>13,000</u>	<u>10,051</u>	<u>23,051</u>
<b>Balance at 1 July 2014</b>	13,000	10,051	23,051
Total comprehensive income for the period	-	880	880
Distribution to the Treasurer	-	(1,200)	(1,200)
<b>Balance as at 30 June 2015</b>	<u>13,000</u>	<u>9,731</u>	<u>22,731</u>

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Interest received		3,754	3,772
Loan repayments received		13,111	10,244
<b>Payments</b>			
Finance costs		(1,562)	(1,528)
Supplies and services		(1,056)	(1,083)
New loans advanced		(14,540)	(10,809)
<b>Net cash (used in)/provided by operating activities</b>	17(c)	<u>(293)</u>	<u>596</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		2,500	3,500
Repayment of borrowings		(1,361)	(2,607)
<b>Net cash provided by financing activities</b>		<u>1,139</u>	<u>893</u>
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Distribution to the Treasurer		(1,200)	(1,100)
<b>Net cash used by State Government</b>		<u>(1,200)</u>	<u>(1,100)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(354)	389
Cash and cash equivalents at the beginning of the period		1,013	624
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF THE FINANCIAL YEAR</b>	17(a)	<u>659</u>	<u>1,013</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 2015 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 2015.

### 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'.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

#### (c) Reporting entity

The reporting entity comprises the Authority.

#### (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 ended 30 June 2015, 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	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	The Authority has not yet assessed the impact of the amendments.	1 July 2018
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	AASB 2009-11 makes amendments to various Australian Accounting Standards and Interpretations, arising from the issuance of AASB 9 Financial Instruments. AASB 2009-11 was modified by AASB 2010-7.	1 January 2015	There is no material impact on the Authority.	1 July 2015
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	There is no material impact on the Authority.	1 July 2015
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2015	There is no material impact on the Authority.	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards	Amendments arise from the withdrawal of AASB 1031 Materiality. The standard removes guidance on materiality from the Australian Accounting Standards.	1 July 2015	There is no material impact on the Authority.	1 July 2015

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Authority financial report	Application date for Authority
AASB 2014-1	Amendments to Australian Accounting Standards	Part D makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards.	1 January 2016	The Authority has not yet assessed the impact of the amendments.	1 July 2016
		Part E defers the application date of AASB 9 Financial Instruments and various consequential amendments.	1 January 2015	There is no material impact on the Authority.	1 July 2015

#### (e) 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.

#### (f) Furniture and office equipment

##### *(i) Capitalisation/expensing of assets*

Items of furniture and office equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Assets 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 furniture and office equipment are initially recognised at cost. For items of furniture and office 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 and the assets are carried at cost less accumulated depreciation and accumulated impairment losses.

#### (g) 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

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

	2015	2014
Furniture and fittings	4.5 years	4.5 years
Office equipment	10 years	10 years

#### (h) Impairment of assets

Furniture and fittings and office 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.

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.

#### (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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

#### (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 Department of Treasury ('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 loan is interest free and is repayable in monthly instalments in accordance with the agreement. The loan will be fully repaid in 2048.

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

#### *Fair value*

The fair value of the financial liabilities traded in active markets is based on quoted market prices at the statement of financial position date. If the market for a financial liability is not active, the Authority establishes fair value by using valuation techniques, such as discounted cash flow analysis.

#### (n) Financial instruments

The Authority has two categories of financial instruments:

*(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 of borrowings is at amortised cost using the effective interest method, whilst measurement of the amounts due to the Treasurer is at fair value.

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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

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.

#### **(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.

#### **(r) Fair value measurement**

The Authority measures financial instruments, such as amounts due to the Treasurer, at fair value at each balance sheet date. Also, fair values of loans and receivables and borrowings measured at amortised cost are disclosed in note 21. In accordance with the transitional provisions, comparatives have not been presented.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant Accounting Policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Authority. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### (s) Distributions of Surplus

Distributions of surplus to the Treasurer are made in accordance with the *Country Housing Act 1998*. They are disclosed as cash flows from State Government in the Statement of Cash Flows.

### 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.

### 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 4. Key Sources Of Estimation Uncertainty (continued)

#### 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

	2015 \$'000	2014 \$'000
Interest on bank account	26	29
Interest on loans and advances	<u>3,711</u>	<u>3,715</u>
	<u>3,737</u>	<u>3,744</u>

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

Board member fees	66	71
Superannuation - defined contribution plans	<u>5</u>	<u>6</u>
	<u>71</u>	<u>77</u>

### 7. Administration Expense

Administration fee *	872	898
Bank fees	<u>1</u>	<u>1</u>
	<u>873</u>	<u>899</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 8. Finance Costs

	2015 \$'000	2014 \$'000
Interest expense	1,530	1,559
Fair value adjustment on amounts due to the Treasurer	<u>255</u>	<u>13</u>
	<u>1,785</u>	<u>1,572</u>

### 9. Other Expenses

External audit fees	37	36
Provision for impairment of loans	(16)	-
Strategic project expenses	79	-
Other*	<u>26</u>	<u>(35)</u>
	<u>126</u>	<u>1</u>

\* The amount recorded in 2014 includes a GST refund claim on sublet costs for lease of Level 2, 28 Kings Park Road, West Perth

### 10. Receivables

Debtors	-	60
Interest receivables	<u>468</u>	<u>510</u>
	<u>468</u>	<u>570</u>

### 11. Loans And Advances

#### Current

Loans	9,973	10,960
Provision for impairment of loans	<u>(17)</u>	<u>(36)</u>
	9,956	10,924

#### Non-current

Loans	<u>59,077</u>	<u>56,595</u>
	<u>69,033</u>	<u>67,519</u>

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## NOTES TO THE FINANCIAL STATEMENTS

### 11. Loans and Advances (continued)

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 collateral security is held under mortgage to secure these advances. The total amount past due but not impaired at 30 June 2015 is \$Nil (2014: \$8,091) on a loan value of \$Nil (2014: \$453,349) with collateral security of \$Nil (2014: \$575,000).

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 (2014: \$4,861) with a total loan amount of \$30,744 (2014: \$455,276). 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.

Reconciliation of changes in the allowance for impairment of receivables:

	2015 \$'000	2014 \$'000
Balance at start of year	36	36
Amounts written off during the year	(19)	-
Balance at end of year	<u>17</u>	<u>36</u>

#### Aged analysis - Past due loans (\$000's)

31-60 days	-	-
61-90 days	-	453
91+ days	-	-
Total	<u>-</u>	<u>453</u>

#### (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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 11. Loans and Advances (continued)

#### (b) Interest rate risk

Refer to note 21 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 21.

	2015 \$'000	2014 \$'000
<b>12. Furniture and Office Equipment</b>		
At cost	12	26
Accumulated depreciation	(9)	(17)
	<u>3</u>	<u>9</u>
<b>Furniture and office equipment reconciliation</b>		
Carrying amount at the start of the year	9	26
Disposals	(4)	-
Depreciation	(2)	(17)
Carrying amount at the end of the year	<u>3</u>	<u>9</u>

### 13. Payables Current

Administration expenses	210	183
Subsidies to local government	-	50
Audit fees	37	36
	<u>247</u>	<u>269</u>

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## NOTES TO THE FINANCIAL STATEMENTS

### 14. Amounts Due To The Treasurer

	2015 \$'000	2014 \$'000
<b>Current</b>		
Amount due to the Treasurer	42	40
<b>Non-current</b>		
Amount due to the Treasurer	<u>1,733</u>	<u>1,520</u>
	<u>1,775</u>	<u>1,560</u>

### 15. Borrowings

<b>Current</b>		
WATC fixed interest loans	77	72
WATC variable interest loans	<u>44,750</u>	<u>43,500</u>
	44,827	43,572
<b>Non Current</b>		
WATC fixed interest rate	<u>583</u>	<u>659</u>
	<u>45,410</u>	<u>44,231</u>

At 30 June 2015 the Authority has access to borrowings from the Western Australian Treasury Corporation ('WATC') to a limit of \$52,500,000 (2014: \$70,000,000). At 30 June 2015 the unused portion of this facility amounted to \$7,090,000 (2014: \$25,769,000). From 1 July 2015 the borrowing limit has been amended to \$62,900,000.

No assets of the Authority have been pledged as security for the borrowings. Refer to note 21 for an analysis of the Authority's risk exposure.

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## NOTES TO THE FINANCIAL STATEMENTS

### 16. Equity

	2015 \$'000	2014 \$'000
<b>Contributed equity</b>		
Balance at the start of the year	<u>13,000</u>	<u>13,000</u>
Balance at the end of the year	<u>13,000</u>	<u>13,000</u>

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.

#### Retained earnings

Balance at the start of the year	10,051	9,979
Distribution to Treasurer	(1,200)	(1,100)
Result for the period	<u>880</u>	<u>1,172</u>
Balance at the end of the year	<u>9,731</u>	<u>10,051</u>

### 17. 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	659	963
Restricted cash	<u>-</u>	<u>50</u>
	<u>659</u>	<u>1,013</u>

Restricted cash held in relation to grant funding was acquitted during the year.

#### (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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## NOTES TO THE FINANCIAL STATEMENTS

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

#### (c) Reconciliation of profit from ordinary activities to net cash flows used in operating activities

	2015 \$'000	2014 \$'000
Profit for the year	880	1,172
Non-cash items:		
Depreciation expense	2	17
Loss on asset disposal	4	-
Fair value adjustment for the amount due to the Treasurer	255	13
Impairment	16	-
Changes in assets and liabilities:		
Decrease/(increase) in receivables	86	(42)
Increase in loans and advances	(1,514)	(557)
Decrease in payables	(22)	(7)
Net cash (used in)/provided by operating activities	<u>(293)</u>	<u>596</u>

### 18. Commitments

Loans approved but not yet fully funded	<u>14,861</u>	<u>6,665</u>
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### 19. Contingent Liabilities and Contingent Assets

The Authority has no contingent liabilities or assets.

### 20. 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 21. 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.

##### *(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 the WATC loan facilities on an 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 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 21, 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 21. Financial Instruments (continued)

#### (b) 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>2015</b>						
<b>Financial liabilities</b>						
Payables	247	-	-	-	-	247
Borrowings	44,942	122	111	222	288	45,685
Amounts due to the Treasurer	42	43	45	97	2,815	3,042
	<u>45,231</u>	<u>165</u>	<u>156</u>	<u>319</u>	<u>3,103</u>	<u>48,974</u>

	Within 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
<b>2014</b>						
<b>Financial liabilities</b>						
Payables	269	-	-	-	-	269
Borrowings	43,718	122	122	218	404	44,584
Amounts due to the Treasurer	40	42	43	93	2,865	3,083
	<u>44,027</u>	<u>164</u>	<u>165</u>	<u>311</u>	<u>3,269</u>	<u>47,936</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Financial Instruments (continued)

(ii) Interest rate sensitivity analysis (\$'000)

2015	Weighted average interest rate %	Carrying amount	-1% change		+1% change	
			Profit	Equity	Profit	Equity
<b>Financial assets</b>						
Cash and cash equivalents	3.27%	659	(7)	(7)	7	7
Loans and advances*	5.38%	69,050	(691)	(691)	691	691
<b>Financial Liabilities</b>						
Payables	-	247	-	-	-	-
Borrowings	3.38%	44,750	448	448	(448)	(448)
			(250)	(250)	250	250

2014	Weighted average interest rate %	Carrying amount	-1% change		+1% change	
			Profit	Equity	Profit	Equity
<b>Financial assets</b>						
Cash and cash equivalents	3.09%	1,013	(10)	(10)	10	10
Loans and advances*	5.47%	67,555	(676)	(676)	676	676
<b>Financial Liabilities</b>						
Payables	-	269	-	-	-	-
Borrowings	3.51%	43,500	435	435	(435)	(435)
			(251)	(251)	251	251

\*Excludes adjustments for impairment

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## NOTES TO THE FINANCIAL STATEMENTS

### 21. 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 (\$'000)

	2015		2014	
	Carrying amount	Fair value <sup>1</sup>	Carrying amount	Fair value <sup>1</sup>
Amounts due to the Treasurer	1,775	1,775	1,560	1,560
WATC variable rate loans	44,750	44,790	43,500	43,568
WATC fixed rate loans	660	753	731	830
	<u>47,185</u>	<u>47,318</u>	<u>45,791</u>	<u>45,958</u>

#### 1. Valuation technique using observable inputs - Level 2

The fair value of financial liabilities has been valued using inputs other than quoted prices (Level 1). Fair value 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 2015, are approximately 0.28% higher than the carrying amount (2014: 0.36% higher).

The Authority considers that the fair values of loans and receivables is a reasonable approximate of the carrying amounts due to their variable interest rates.

There were no transfers between Levels 1,2 or 3 during the period.

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## NOTES TO THE FINANCIAL STATEMENTS

### 22. Remuneration of Members of The Authority and Senior Officers

#### (a) Remuneration of members of the Authority

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

	2015	2014
\$10,001 - \$20,000	1	1
\$20,001 - \$30,000	1	1
\$30,001 - \$40,000	1	1
	\$'000	\$'000
Base remuneration and superannuation	66	68
Other benefits	<u>5</u>	<u>9</u>
The total remuneration of members of the authority	<u>71</u>	<u>77</u>

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

#### (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.

### 23. Remuneration Of The Auditor

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

	2015 \$'000	2014 \$'000
Auditing the accounts, financial statements and performance indicators	<u>37</u>	<u>36</u>

### 24. Supplementary Financial Information

#### (a) Write offs

During the year no public property was written off by the Minister.

#### (b) Losses through theft, default and other causes

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 25. Explanatory Statement

This statement provides the details of any significant variations between estimates and actual results for 2015 and between the actual results for 2014 and 2015. 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*

	2015			
	Actual	Estimate	Variance	
	\$'000	\$'000	\$'000	%
<b>Income</b>				
Interest revenue	3,737	4,348	(611)	(14%)
<b>Expenses</b>				
Finance costs	1,785	1,967	(182)	(9%)
Administration expense	873	1,047	(174)	(17%)
Other expenses	126	61	65	107%
Depreciation	2	3	(1)	(33%)

#### 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.

##### 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 and a lower average balance for borrowings than expected.

##### Administration expense

The Authority is charged a fee on a unit cost recovery basis. The loan volumes were lower during the year than expected.

##### Other expenses

Other expenses include; external audit fee, directors insurance, strategic projects and the provision for impairment of loans.

##### Depreciation

Depreciation was lower than expected due to the disposal of assets during the year.

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## NOTES TO THE FINANCIAL STATEMENTS

### 25. Explanatory Statement (continued)

(ii) Significant variances between current year actual and prior year actual

	Actual		Variance	
	2015 \$'000	2014 \$'000	\$'000	%
<b>Expenses</b>				
Finance costs	1,785	1,572	213	14%
Other expenses	126	1	125	12,500%
Depreciation	2	17	(15)	(88%)
Supplies and services	-	6	(6)	(100%)

#### Explanation of variations

##### Finance costs

Finance costs are higher than the prior year due to an increase in the 10 year bond rate used to discount the amounts due to the Treasurer. This has resulted in an increase in the fair value adjustment.

##### Other expenses

Other expenses are higher than prior year due to strategic projects and the provision for impairment of loans. The prior year also included a GST refund associated with the lease of Level 2, 28 Kings Park Road, West Perth.

##### Depreciation

The asset base is mostly fully depreciated resulting in a lower depreciation figure compared to prior year.

##### Supplies and services

No leasing costs were incurred this year as the lease expired on the Level 2, 28 Kings Park Road, West Perth premises on 31 October 2013.

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**ANNUAL ESTIMATES  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2015/16</b>
	<b>\$'000</b>
<b>INCOME</b>	
Interest revenue	3,594
<b>Total Income</b>	<u>3,594</u>
<b>EXPENSES</b>	
Board member fees	56
Depreciation	1
Administration expense	1,004
Finance costs	1,416
Other expenses	2
<b>Total expenses</b>	<u>2,479</u>
<b>PROFIT</b>	<u>1,115</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.

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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 Housing Authority website:

[www.housing.wa.gov.au](http://www.housing.wa.gov.au)

