



Country Housing Authority Annual Report 2015-16



TABLE OF CONTENTS

Statement of Compliance	2
Overview	3
Chairman's Report	3
Operational Structure	4
Organisational Structure	5
Agency Performance	12
Significant Issues Impacting the Agency	14
Disclosures and legal compliance	16
Auditor General's Opinion	16
Performance Indicators	19
Financial Statements	21
Notes to the Financial Statements	26
Annual Estimates	49
Contact Information	52

Contact Details

Postal:
PO Box 6679
East Perth
WA 6892

Street:
2 Brook Street
East Perth
WA 6004

Internet: www.keystart.com.au

Email : info@keystart.com.au

Telephone: 1800 158 200 or 9338 3180

Facsimile : 08 9338 3150

STATEMENT OF COMPLIANCE

For year ended 30 June 2016

HON BRENDON GRYLLE 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 2016.

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



Glyn Yates
Chairman of
Country Housing Authority

26 August 2016



Donna Lynch
Deputy Chairperson of
Country Housing Authority

26 August 2016

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 14 approved loans at a value of \$2.7 million in 2015-16.

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 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 2016-17.



Mr Glyn Yates
Country Housing Authority
Chairman

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* for the period ending 30 June 2016.

ORGANISATIONAL STRUCTURE

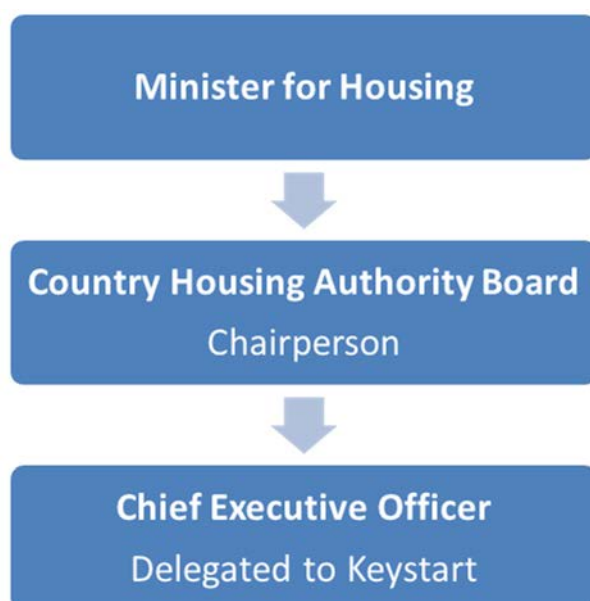
Mission

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.



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 Glyn Yates was paid \$37,975, Ms Donna Lynch was paid \$26,298 and Mr Jason Berry was paid \$5,718 in 2015-16.

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 and Commerce.

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 Glyn Yates (Chairman)

Mr Yates has experience in the community banking and financial services industry (community bank director and Chair), local government (councillor and Deputy Shire President) and as a director of SMEs in regional Western Australia.

Appointed August 2015 to current.

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 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.

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.

Ms Caterina Prodonovich

Ms Prodonovich is currently the CEO Regional Chambers of Commerce WA. She has previous experience with Real Estate transactions acting as buyer's agent as well as business manager and consulting experience.

Appointed August 2015 to current.

Mr Jason Berry

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.

During 2015-16, the Country Housing Authority Board met on 6 occasions and the Audit Committee met twice.

	Full Board of Directors		Audit Committee	
	A	B	A	B
Glyn Yates	6	6	1	1
Donna Lynch	6	5	-	-
Sean Cameron	6	6	2	2
John Donovan	6	6	2	2
Caterina Prodonovich	5	4	-	-

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.

Indemnification of the Board

During the period ending 30 June 2016, 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 Instruction 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.

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 2015-16.

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 are accessible to staff and visitors. Keystart's premises meet the 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

One formal complaint was received from a customer during 2015-16, which was rectified in accordance with the Keystart Complaints Handling Policy.

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 2015-16 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 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.

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.

The Annual Report is available on request from the Authority or via the website www.keystart.com.au/useful-info/Publications.

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 Interest Disclosure Act 2003*
- *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*

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.

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 2015-16, 14 farmers, pastoralists and businesses were approved assistance under the HFAP, with loan approvals totalling \$2,745,000.

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 2015-16 no assistance was required as a result of natural disaster. This program now sits within the HFAP as explained above.

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 2015-16 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>
30 November 2015	30 December 2015	4.60%	4.77%	5.38%	5.55%
13 May 2016	13 June 2016	4.77%	4.53%	5.55%	5.31%

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 472 loans is valued at \$65,414,560 at 30 June 2016.

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

Confidence in the farming community has increased over the last year driven by a high demand for wheat. Commodity prices continued to be stable, resulting in reasonable prices for the sale of grain and livestock. A large amount of livestock was affected by natural disasters during the year with hail storms and fires, particularly in southern regions. Farmers remained optimistic about income opportunities due to the increased demand for exporting livestock. Income received during 2015-16 was mainly used to decrease core farm debts as the value of farming properties reduced.

During the financial year activity in the resource sector continued to slow as a result of the decrease in mineral prices, particularly iron ore. This has had a significant effect on the value of properties located in towns near or reliant on the mining industry. As a result of these developments the majority of the loans approved in 2015-16 continue to be farmers in the Wheatbelt region.

The economic and social trends occurring throughout rural and remote Western Australia will continue to be monitored during 2016-17.

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 2016, 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.

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 2016 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.

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 for the Audit of the Financial Statements

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.

Report on Controls

I have audited the controls exercised by the Country Housing Authority during the year ended 30 June 2016.

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.

Opinion

In my opinion, in all material respects, 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 2016.

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 for the Audit of Controls

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.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Country Housing Authority for the year ended 30 June 2016.

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

Opinion

In my opinion, in all material respects, 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 2016.

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 for the Audit of Key Performance Indicators

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.

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.

Independence

In conducting the above audits, 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 2016 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
3 | August 2016

**CERTIFICATION OF KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDING 30 JUNE 2016**

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 2016.



Glyn Yates
Chairperson of the Accountable Authority

26 August 2016



Donna Lynch
Deputy Chairperson of the Accountable Authority

26 August 2016

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 predominantly 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.

	2013/14	2014/15	2015/16
Eligible applicants brought forward	6	4	7
Plus eligible applications received	67	65	33
Less eligible applications withdrawn	6	5	23
Net applications assessed	67	64	17
Number of clients assisted	63	57	14
Eligible applicants carried forward	4	7	3
Actual % assisted	94	89	82
Target % assisted	87	87	87

EFFICIENCY INDICATOR

Service 1: Housing Loan provision and facilitation

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

	2011/12	2012/13	2013/14	2014/15	2015/16
Average cost of loan administered	\$ 1,749	\$ 1,967	\$ 1,667	\$ 1,812	\$ 1,340

The 2015/16 average cost of loan administration is \$1,340 per annualised active loan, which is lower than prior year due to lower origination expenditure for the financial year.

**CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2016**

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 2016 and the financial position as at 30 June 2016.

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.



Glyn Yates
Chairperson of the Accountable
Authority

26 August 2016



Donna Lynch
Deputy Chairperson of the Accountable
Authority

26 August 2016



John Vojkovich
Chief Finance Officer

26 August 2016

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$'000	2015 \$'000
INCOME			
Revenue			
Interest revenue	5	<u>3,517</u>	<u>3,737</u>
Total Income		<u>3,517</u>	<u>3,737</u>
EXPENSES			
Finance costs	8	1,653	1,785
Board member fees	6	70	71
Administration expense	7	608	873
Provision for Impairment of Loans and Advances	9	791	(16)
Other expenses	10	<u>70</u>	<u>144</u>
Total Expenses		<u>3,192</u>	<u>2,857</u>
PROFIT FOR THE PERIOD		<u>325</u>	<u>880</u>
OTHER COMPREHENSIVE INCOME			
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>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>325</u>	<u>880</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	18(a)	1,187	659
Receivables	11	511	468
Loans and advances	12	<u>7,739</u>	<u>9,956</u>
Total Current Assets		<u>9,437</u>	<u>11,083</u>
Non-Current Assets			
Loans and advances	12	56,869	59,077
Furniture and office equipment	13	-	3
Total Non-Current Assets		<u>56,869</u>	<u>59,080</u>
TOTAL ASSETS		<u>66,306</u>	<u>70,163</u>
LIABILITIES			
Current Liabilities			
Payables	14	240	247
Amounts due to the Treasurer	15	43	42
Borrowings	16	<u>41,332</u>	<u>44,827</u>
Total Current Liabilities		<u>41,615</u>	<u>45,116</u>
Non-Current Liabilities			
Amounts due to the Treasurer	15	2,014	1,733
Borrowings	16	<u>501</u>	<u>583</u>
Total Non-Current Liabilities		<u>2,515</u>	<u>2,316</u>
TOTAL LIABILITIES		<u>44,130</u>	<u>47,432</u>
NET ASSETS		<u>22,176</u>	<u>22,731</u>
EQUITY			
Contributed equity	17	13,000	13,000
Retained earnings	17	<u>9,176</u>	<u>9,731</u>
TOTAL EQUITY		<u>22,176</u>	<u>22,731</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Contributed Equity \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2014	13,000	10,051	23,051
Total comprehensive income for the period	-	880	880
Distribution to the Treasurer	-	(1,200)	(1,200)
Balance at 30 June 2015	<u>13,000</u>	<u>9,731</u>	<u>22,731</u>
Balance at 1 July 2015	13,000	9,731	22,731
Total comprehensive income for the period	-	325	325
Distributions to the Treasurer	-	(880)	(880)
Balance at 30 June 2016	<u>13,000</u>	<u>9,176</u>	<u>22,176</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 2016**

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received		3,491	3,754
Loan repayments received		8,092	13,111
Payments			
Finance costs		(1,255)	(1,562)
Supplies and services		(962)	(1,056)
New loans advanced		<u>(4,343)</u>	<u>(14,540)</u>
Net cash provided by/(used in) operating activities	18(c)	<u>5,023</u>	<u>(293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		518,003	534,750
Repayment of borrowings		<u>(521,618)</u>	<u>(533,611)</u>
Net cash (used in)/provided by financing activities		<u>(3,615)</u>	<u>1,139</u>
CASH FLOWS TO STATE GOVERNMENT			
Distribution to the Treasurer		<u>(880)</u>	<u>(1,200)</u>
Net cash used by State Government		<u>(880)</u>	<u>(1,200)</u>
Net increase/(decrease) in cash and cash equivalents		528	(354)
Cash and cash equivalents at the beginning of the period		<u>659</u>	<u>1,013</u>
CASH AND CASH EQUIVALENTS ASSETS AT THE END OF THE FINANCIAL YEAR	18(a)	<u>1,187</u>	<u>659</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

General

The financial statements of the Country Housing Authority ('Authority') for the year ended 30 June 2016 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 2016.

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 except for liability amounts due to the Treasurer, which are at fair value.

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'.

2. Significant Accounting Policies (continued)

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.

(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 2016, 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 is a new standard which replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . AASB 9 includes requirements for the classification and measurement of financial assets and liabilities and includes a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.	1 January 2018	The Authority has not yet assessed the impact of the amendments.	1 July 2018
AASB 15	Revenue from Contracts with Customers	AASB 15 is a new standard which replaces AASB 111 <i>Construction contracts</i> , AASB 118 <i>Revenue</i> and related interpretations. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2018	The Authority is yet to undertake a detailed assessment of the impact of AASB 15. Based on the Authority's preliminary assessment, the Standard is not expected to have a material impact on the Authority.	1 July 2018
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and interpretation), grouped where they are the same.	1 January 2016	There is no material impact on the Authority.	1 July 2016

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 E	Part E of this Standard defers the application date of AASB 9 <i>Financial Instruments</i> and the related consequential amendments in AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> and AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010).	1 January 2018	Refer to comments on AASB 9 above.	1 July 2018
AASB 2014-4	Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	AASB 2014-4 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate.	1 January 2016	There is no material impact on the Authority.	1 July 2016
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	AASB 2014-5 gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	Refer to comments on AASB 15 above.	1 July 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	AASB 2014-7 gives effect to consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014).	1 January 2018	Refer to comments on AASB 9 above.	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	Amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , AASB 2 <i>Share-based Payment</i> , AASB 3 <i>Business Combinations</i> , AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> , AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 11 <i>Joint Arrangements</i> , AASB 110 <i>Events after the Reporting Period</i> , AASB 119 <i>Employee Benefits</i> , AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i> , AASB 133 <i>Earnings per Share</i> , AASB 134 <i>Interim Financial Reporting</i> , AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and AASB 140 <i>Investment Property</i> arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.	1 January 2016	There is no material impact on the Authority.	1 July 2016

2. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Authority financial report	Application date for Authority
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	Amendments to AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 134 <i>Interim Financial Reporting</i> and AASB 1049 <i>Interpretation of Standards</i> arise from the issuance of International Financial Reporting Standard Disclosure Initiative (Amendments to IAS 1) in December 2014.	1 January 2016	There is no material impact on the Authority.	1 July 2016
AASB 2015-6	Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	This Standard makes amendments to AASB 124 <i>Related Party Disclosures</i> to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	There is no material impact on the Authority.	1 July 2016
AASB 2015-7	Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities	This Standard makes amendments to AASB 13 <i>Fair Value Measurement</i> to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016	There is no material impact on the Authority.	1 July 2016
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017.	1 January 2017	Refer to comments on AASB 15 above.	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	There is no material impact on the Authority.	1 July 2017

2. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Authority financial report	Application date for Authority
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	This Standard amends AASB 15 <i>Revenue from Contracts with Customers</i> to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	1 January 2018	Refer to comments on AASB 15 above.	1 July 2018

(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.

2. Significant Accounting Policies (continued)

(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.

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

	2016	2015
Furniture and office equipment	10 years	10 years

(h) Impairment of assets

Furniture 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 equivalents (and restricted cash and cash equivalents) 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 an 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 the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

2. Significant Accounting Policies (continued)

(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 and 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 through the profit and loss.

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.

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 loan 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.

2. Significant Accounting Policies (continued)

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. Fair values of loans and receivables and borrowings measured at amortised cost are disclosed in note 22.

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.

2. Significant Accounting Policies (continued)

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 to 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.

The following judgements have been made in the process of applying accounting policies that have a significant effect on the amounts recognised in the financial statements:

The amortisation of loan origination fees is based on an estimate of the average life of the loans which is subject to assumptions of future events. The average life is determined by assessing the loan portfolio on a regular basis.

The carrying amounts of loans and receivables are based on estimates and assumptions of future events. The Authority determines whether loans and receivables are impaired on an ongoing basis as disclosed in notes 2 (j) and 2 (o).

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

	2016 \$'000	2015 \$'000
Interest on loans and advances	3,493	3,711
Interest on bank account	24	26
	<u>3,517</u>	<u>3,737</u>

6. Board Member Fees and Employee Benefits Expenses

Board member fees	65	66
Superannuation - defined contribution plans	5	5
	<u>70</u>	<u>71</u>

7. Administration Expense

Administration fee *	607	872
Bank fees	1	1
	<u>608</u>	<u>873</u>

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

8. Finance Costs

Interest expense	1,332	1,530
Fair value adjustment on amounts due to the Treasurer	321	255
	<u>1,653</u>	<u>1,785</u>

9. Provision for Impairment of Loans and Advances

Provision for Impairment	791	(16)
	<u>791</u>	<u>(16)</u>

10. Other Expenses

External audit fees	38	37
Strategic project expenses	7	79
Other	25	28
	<u>70</u>	<u>144</u>

11. Receivables

	2016 \$'000	2015 \$'000
Interest receivable	504	468
Debtors	7	-
	<u>511</u>	<u>468</u>

12. Loans and Advances

Current

Loans	8,547	9,973
Provision for impairment of loans	(808)	(17)
	<u>7,739</u>	<u>9,956</u>

Non-current

Loans	56,869	59,077
	<u>64,608</u>	<u>69,033</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.

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year	17	36
Doubtful debts expense	808	-
Amounts written off during the year	(17)	(19)
Balance at end of year	<u>808</u>	<u>17</u>

All loans are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below.

Past due but not individually impaired

Aged analysis - Past due loans

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

Past-due loans are loans where payments of principal and/or interest are in arrears and full recovery of both principal and interest is expected.

The collective provision for impairment of loans and advances includes all loans that are not individually impaired. Loans are assessed individually when they are in arrears more than 90 days, assigned as safety net more than 90 days or repossessed loans.

Loans that are past due, but not individually impaired are not considered to be at significant risk as collateral security is held under mortgage to secure these advances.

12. Loans and Advances (continued)

Safety Net Loans

At the end of the current financial period, there were five restructured loans on the Safety Net Scheme with amounts past due totalling \$12,716 (2015: \$2,136) with a total loan amount of \$868,766 (2015: \$30,744). 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.

Reposessed Loans

Mortgagee sales are considered the last resort in relation to continually defaulting borrowers. The execution of the mortgagee sales must comply with the *National Consumer Credit Protection Act 2009* and National Credit Code, where appropriate.

Reposessed collateral is sold at the best possible market price, with any surpluses being returned to the borrowers concerned. Any shortfalls are written-off against the provision.

	2016 \$'000	2015 \$'000
<u>Outstanding balance on loans for which collateral will be reposessed</u>		
Balance	1,891	17
Provision for impairment	(750)	(17)
	<u>1,141</u>	<u>-</u>
Fair value of collateral obtained in terms of exercising the rights under the mortgages	1,093	140
Interest forgone on reposessed loans	102	7

(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 22 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 22.

13. Furniture and Office Equipment

	2016 \$'000	2015 \$'000
At cost	2	12
Accumulated depreciation	<u>(2)</u>	<u>(9)</u>
	<u><u>-</u></u>	<u><u>3</u></u>

Furniture and office equipment reconciliation

Carrying amount at the start of the year	3	9
Disposals	-	(4)
Depreciation	<u>(3)</u>	<u>(2)</u>
Carrying amount at the end of the year	<u><u>-</u></u>	<u><u>3</u></u>

14. Payables

Administration expenses	202	210
Audit fees	<u>38</u>	<u>37</u>
	<u><u>240</u></u>	<u><u>247</u></u>

15. Amounts Due to the Treasurer

Current

Amounts due to the Treasurer	<u>43</u>	<u>42</u>
------------------------------	-----------	-----------

Non-current

Amounts due to the Treasurer	<u>2,014</u>	<u>1,733</u>
	<u><u>2,057</u></u>	<u><u>1,775</u></u>

16. Borrowings

Current

WATC fixed interest loans	82	77
WATC variable interest loans	<u>41,250</u>	<u>44,750</u>
	41,332	44,827

Non-current

WATC fixed interest loans	<u>501</u>	<u>583</u>
	<u><u>41,833</u></u>	<u><u>45,410</u></u>

At 30 June 2016 the Authority has access to borrowings from the Western Australian Treasury Corporation ('WATC') to a limit of \$48,300,000 (2015: \$52,500,000). At 30 June 2016 the unused portion of this facility amounted to \$6,467,000 (2015: \$7,090,000). From 1 July 2016 the borrowing limit has been amended to \$48,900,000.

No assets of the Authority have been pledged as security for the borrowings. Refer to note 22 for an analysis of the Authority's risk exposure.

17. Equity

	2016 \$'000	2015 \$'000
Contributed equity		
Balance at the start of the year	13,000	13,000
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	9,731	10,051
Distribution to the Treasurer	(880)	(1,200)
Result for the period	325	880
Balance at the end of the year	<u>9,176</u>	<u>9,731</u>

18. 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	<u>1,187</u>	<u>659</u>
	<u>1,187</u>	<u>659</u>

(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.

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

Profit for the year	325	880
Non-cash items:		
Depreciation expense	3	2
Loss on asset disposal	-	4
Fair value adjustment for the amount due to the Treasurer	321	255
Impairment	791	(16)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(44)	102
Decrease/(increase) in loans and advances	3,634	(1,498)
Decrease in payables	(7)	(22)
Net cash provided by/(used in) operating activities	<u>5,023</u>	<u>(293)</u>

19. Commitments

	2016 \$'000	2015 \$'000
Loans approved but not yet fully funded	<u>4,640</u>	<u>5,712</u>

20. Contingent Liabilities and Contingent Assets

The Authority has no contingent liabilities or assets.

21. 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.

22. 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, 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.

22. 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
2016						
Financial liabilities						
Payables	240	-	-	-	-	240
Borrowings	41,516	111	107	226	178	42,138
Amounts due to the Treasurer	43	45	47	101	2,764	3,000
	<u>41,799</u>	<u>156</u>	<u>154</u>	<u>327</u>	<u>2,942</u>	<u>45,378</u>

	Within 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
2015						
Financial liabilities						
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>

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

	Weighted average interest rate %	Carrying amount	-1% change		+1% change	
			Profit	Equity	Profit	Equity
2016						
Financial assets						
Cash and cash equivalents	2.33%	1,187	(12)	(12)	12	12
Loans and advances *	5.19%	65,416	(654)	(654)	654	654
Financial liabilities						
Payables	-	240	-	-	-	-
Borrowings	3.04%	41,833	418	418	(418)	(418)
			<u>(248)</u>	<u>(248)</u>	<u>248</u>	<u>248</u>

22. Financial Instruments (continued)

2015	Weighted average interest rate %	Carrying amount	-1% change		+1% change	
			Profit	Equity	Profit	Equity
Financial assets						
Cash and cash equivalents	3.27%	659	(7)	(7)	7	7
Loans and advances *	5.38%	69,050	(691)	(691)	691	691
Financial liabilities						
Payables	-	247	-	-	-	-
Borrowings	3.38%	45,410	454	454	(454)	(454)
			(244)	(244)	244	244

*Excludes adjustments for impairment

(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)

	2016		2015	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Amounts due to the Treasurer	2,057	2,057	1,775	1,775
WATC variable rate loans	41,250	41,305	44,750	44,790
WATC fixed rate loans	583	671	660	753
	43,890	44,033	47,185	47,318

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 2016, are approximately 0.33% higher than the carrying amount (2015: 0.28% 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.

23. 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:

	2016	2015
	No's	No's
\$ 0 - \$10,000	1	-
\$10,001 - \$20,000	-	1
\$20,001 - \$30,000	1	1
\$30,001 - \$40,000	1	1
	\$'000	\$'000
Base remuneration and superannuation	54	62
Other benefits	16	9
The total remuneration of members of the Authority	<u>70</u>	<u>71</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 Scheme Management Pty Ltd on a cost recovery basis in accordance with contractual arrangements.

24. Remuneration of The Auditor

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

	2016	2015
	\$'000	\$'000
Auditing the accounts, financial statements and performance indicators	<u>38</u>	<u>37</u>

25. 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

During the year there was one loan written off in an amount of \$17,000 (refer Note 12).

26. Explanatory Statement

This statement provides the details of any major variations between estimates and actual results for 2016 and between the actual results for 2015 and 2016. Major variations for the Statement of Comprehensive Income and Statement of Cash flows are considered to be those greater than 5% and 2% of Total Cost of Services. Major variances for the Statement of Financial Position are considered to be those greater than 5% and 2% of Total Assets (variances relating to cash assets, receivables, payables, contributed equity and accumulated surplus are excluded from the definition).

(i) Major variances between actual and estimate results for the current financial year (\$'000)

STATEMENT OF COMPREHENSIVE INCOME

	2016			
	Actual \$'000	Estimate \$'000	Variance \$'000	%
Income				
Interest revenue	3,517	3,998	(481)	(12%)
Expenses				
Finance costs	1,653	1,745	(92)	(5%)
Administration expense	608	1,047	(439)	(42%)
Provision for Impairment of Loans and Advances	791	10	781	7,810%

Explanation of variations

Interest revenue

Interest charged to borrowers' accounts was lower in the current year as a result of lower average interest rates and a lower average balance in the mortgage portfolio.

Finance costs

Finance costs were lower in the current year as a result of lower average interest rates and lower levels of borrowings than forecasted.

Administration expense

The Authority is charged a fee on a unit cost recovery basis. The loan approval volumes were lower during the year which resulted in lower origination costs.

Provision for impairment of Loans and Advances

Provision for impairment of Loans and Advances increased to cater for specific and collective provisions.

26. Explanatory Statement (continued)

STATEMENT OF FINANCIAL POSITION

	2016			
	Actual \$'000	Estimate \$'000	Variance \$'000	%
Current Assets				
Loans and advances	7,739	13,270	(5,531)	(42%)
Non-Current Assets				
Loans and advances	56,869	72,966	(16,097)	(22%)
Current Liabilities				
Borrowings	41,332	62,199	(20,867)	(34%)

Explanation of variations

Loans and advances (current and non-current)

The loan portfolio was lower than forecast due to lower levels of new lending and a lower average loan size.

Borrowings

The loan portfolio was lower than forecast which resulted in a lower borrowing requirement.

STATEMENT OF CASH FLOWS	2016			
	Actual \$'000	Estimate \$'000	Variance \$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest received	3,491	3,998	(507)	(13%)
Payments				
Finance costs	1,255	1,745	(490)	(28%)
Supplies and services	962	1,182	(220)	(19%)
New loans advanced	4,343	18,737	(14,394)	(77%)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	518,003	142,416	375,587	264%
Repayment of borrowings	521,618	132,000	389,618	295%
CASH FLOWS TO STATE GOVERNMENT				
Distribution to the Treasurer	880	1,100	(220)	(20%)

26. Explanatory Statement (continued)

Explanation of variations

Interest received

Interest received was lower than forecast as a result of lower average interest rates and a lower average balance in the mortgage portfolio.

Finance costs

Finance costs were lower than forecast as a result of lower average interest rates and lower levels of borrowings.

Supplies and services

The Authority is charged a fee on a unit cost recovery basis for Administration expenses. The loan volumes were lower during the year which resulted in lower origination costs.

New loans advanced

New loans advanced were lower than forecast due to lower levels of lending and a lower average loan size.

Proceeds from borrowings

Lower levels of new lending resulted in a lower borrowing requirement.

Repayment of borrowings

Lower repayments of borrowings as a result of a lower borrowing requirement.

Distribution to the Treasurer

The Distribution is based on the Total Comprehensive Income for the prior year. Actuals for 2014-15 were lower than originally forecasted.

(ii) Major Variances between current year actual and prior year actual (\$'000)

STATEMENT OF COMPREHENSIVE INCOME	2016	2015	Variance	%
	Actual	Actual		
	\$'000	\$'000	\$'000	
Income				
Interest revenue	3,517	3,737	(220)	(6%)
Expenses				
Finance costs	1,653	1,785	(132)	(7%)
Administration expense	608	873	(265)	(30%)
Provision for Impairment of Loans and Advances	791	(16)	807	(5,044%)
Other expenses	70	144	(74)	(51%)

26. Explanatory Statement (continued)

Explanation of variations

Interest revenue

Interest charged to borrowers' accounts was lower in the current year as a result of lower average interest rates and a lower average balance in the mortgage portfolio.

Finance costs

Finance costs were lower in the current year as a result of lower average interest rates and lower levels of borrowings than forecasted.

Administration expense

The Authority is charged a fee on a unit cost recovery basis. The loan approval volumes were lower during the year which resulted in lower origination costs.

Provision for impairment of Loans and Advances

Provision for impairment of Loans and Advances increased to cater for specific and collective provisions.

Other expenses

Other expenses were lower in the current year due to reduced strategic project expenditure.

STATEMENT OF FINANCIAL POSITION

	2016 Actual \$'000	2015 Actual \$'000	Variance \$'000	%
Non-Current Assets				
Loans and advances	7,739	9,956	(2,217)	(22%)
Current Liabilities				
Borrowings	41,332	44,827	(3,495)	(8%)

Explanation of variations

Loans and advances

Higher discharge volumes in 2016 resulted in a lower loan book portfolio.

Borrowings

The loan portfolio was lower than forecast which resulted in a lower borrowing requirement.

26. Explanatory Statement (continued)

STATEMENT OF CASH FLOWS	2016 Actual \$'000	2015 Actual \$'000	Variance \$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest received	3,491	3,754	(263)	(7%)
Loan repayments received	8,092	13,111	(5,019)	(38%)
Payments				
Finance costs	1,255	1,562	(307)	(20%)
Supplies and services	962	1,056	(94)	(9%)
New loans advanced	4,343	14,540	(10,197)	(70%)
CASH FLOWS TO STATE GOVERNMENT				
Distribution to the Treasurer	880	1,200	(320)	(27%)

Explanation of variations

Interest received

Interest received decreased as a result of lower average interest rates and a lower average balance in the mortgage portfolio.

Loan repayments received

Lower levels of new lending resulted in lower repayments received.

Finance costs

Finance costs were lower in the current year as a result of lower average interest rates and lower levels of borrowings than forecasted.

Supplies and services

The Authority is charged a fee on a unit cost recovery basis for Administration expenses. The loan approval volumes were lower during the year which resulted in lower origination costs.

New loans advanced

New loans advanced were lower due to lower levels of new lending and a lower average loan size.

Distribution to the Treasurer

The Distribution is based on the Total Comprehensive Income for the prior year. Actuals for 2013-14 were higher than 2014-15.

ANNUAL ESTIMATES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2016/17
	\$'000
INCOME	
Revenue	
Interest revenue	3,542
Total Income	<u>3,542</u>
EXPENSES	
Finance costs	1,402
Administration expense	846
Depreciation expense	1
Other expenses	152
Bad debts written off	32
Total expenses	<u>2,433</u>
PROFIT	<u>1,109</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

2016/17

\$'000

ASSETS

Current Assets

Cash and cash equivalents	981
Receivables	463
Loans and advances	10,653
Total Current Assets	12,097

Non-Current Assets

Loans and advances	61,733
Furniture and office equipment	-
Total Non-Current Assets	61,733

TOTAL ASSETS

73,830

LIABILITIES

Current Liabilities

Payables	222
Amounts due to the Treasurer	39
Borrowings	48,240
Total Current Liabilities	48,501

Non-Current Liabilities

Amounts due to the Treasurer	1,729
Borrowings	637
Total Non-Current Liabilities	2,366

TOTAL LIABILITIES

50,867

NET ASSETS

22,963

EQUITY

Contributed equity	13,000
Retained earnings	12,311
TOTAL EQUITY	22,963

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

2016/17

\$'000

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Interest received	3,542
Loan repayments received	9,084

Payments

Finance costs	(1,402)
Supplies and services	(1,030)
New loans advanced	(10,504)

Net cash provided by/(used in) operating activities (310)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings	1,734
Repayment of borrowings	(1,156)

Net cash (used in)/provided by financing activities 578

CASH FLOWS TO STATE GOVERNMENT

Distribution to the Treasurer	(268)
-------------------------------	-------

Net cash used by State Government (268)

Net increase/(decrease) in cash and cash equivalents -

Cash and cash equivalents at the beginning of the period 981

**CASH AND CASH EQUIVALENTS ASSETS AT THE END OF
THE FINANCIAL YEAR** 981

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/o Keystart
PO Box 6679
East Perth WA 6892
Phone: (08) 9338 3180
Fax: (08) 9338 3152
Email: 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 or

www.keystart.com.au

Visit the Housing Authority website:

www.housing.wa.gov.au

www.country.keystart.com.au

