



Country Housing Authority Annual Report 2017 - 2018



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STATEMENT OF COMPLIANCE

For year ended 30 June 2018

HON. PETER TINLEY AM 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 2018.

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



Glyn Yates
Chairman of
Country Housing Authority

24 August 2018



Caterina Prodonovich
Board Member of
Country Housing Authority

24 August 2018

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 12 approved loans at a value of \$3.4 million in 2017-18.

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 2018-19.



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. Peter Tinley AM MLA, for the administration of the *Country Housing Act 1998* for the period ending 30 June 2018.

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 \$44,856, Ms Donna Lynch was paid \$20,318 and Ms Caterina Prodonovich was paid \$10,512 in 2017-18.

The *Country Housing Act 1998* requires up to six board members and is to include three members who have knowledge of and experience in any of the fields of planning, housing, finance, farming, industry, commerce or any other field relevant to the functions of the Authority. The remaining member during the year was an officer from the Department of Treasury.

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

Ms Caterina Prodonovich

Ms Prodonovich is currently the CEO Regional Chambers of Commerce WA, Chair of the Small Business Development Corporation Board and a member of Chamber of Commerce and Industry of Western Australia's General Council. 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 Sean Cameron

Mr Cameron is currently Director, Resourcing at WA Treasury and has oversight of approximately 50 agencies. He has over 30 years' experience in this industry.

Appointed October 2014 to current.

During 2017-18, the Country Housing Authority Board met on 6 occasions.

	Full Board of Directors	
	A	B
Glyn Yates	6	6
Donna Lynch	6	6
Sean Cameron	6	6
Caterina Prodonovich	6	6

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.

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 2018, 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 825 and Australia-New Zealand ISO 31000:2018.

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.

During the year the Authority's Board elected to dissolve the Audit Committee given the limited level of activity by the Authority. All functions performed by the Audit Committee are now performed by the Authority's Board.

Financial Risk

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

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

Internal Audit

The Authority uses the internal audit services of Deloitte under a contract signed by Keystart. The Authority's Board 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 2017-18.

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

No formal or informal complaints were received from customers, either directly or through a third party during 2017-18.

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 2017-18 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 advertisements 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.

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 toll free on 1800 158 200; 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 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, Safety and Health 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 2017-18, 12 farmers, pastoralists and businesses were approved assistance under the HFAP, with loan approvals totalling \$3,439,000.

Natural Disasters

In late 2011 the Board approved a natural disaster programme. 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.

No assistance was required as a result of a 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 once during the 2017-18 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>
14 July 2017	14 August 2017	4.44%	4.38%	5.22%	5.16%

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 372 loans has an outstanding balance of \$53,950,801 at 30 June 2018.

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

The Western Australian economy grew a modest 0.2%, year on year, the first time in more than four years the state had shown signs of year-on-year expansion. This was evidence that the state economy was finding its feet after transitioning from mining construction to production.¹

The 2017/2018 harvest season was slightly lower than the previous years for the Western Australian farming sector, which experienced record high grain harvest in 2016. Although the forecast for wheat and lupin production is steady, the forecast for barley and canola is expected to reduce by 5% and 18% respectively². On a positive note, the wool and wine industries are expected to continue to experience high growth in 2018 on the back of increased sales to the Asian markets³. Farmers that have diversified from solely grain to include wool will continue to benefit as will those associated with the wine industry primarily in the South West and Great Southern regions.

The majority of the loans approved in 2017/18 continued to be from the Wheatbelt region with three quarters of all loans originating from farmers.

The economic and social trends occurring throughout rural and remote Western Australia will continue to be monitored during 2018/19.

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.

References:

- 1 Newnham R, as cited by Hondros N, <https://www.watoday.com.au/national/western-australia/wa-economy-back-on-track-with-first-annual-growth-for-years-20180607-p4zk0n.html>, 7 June 2018.
- 2 <http://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/australian-crop-report/western-australia>, 2018.
- 3 Rabobank Agribusiness Outlook 2018, as cited by Worthington B, <http://www.abc.net.au/news/rural/2018-01-31/agricultural-commodity-outlook-2018/9377662>, 31 January 2018.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

COUNTRY HOUSING AUTHORITY

Report on the Financial Statements

Opinion

I have audited the financial statements of the Country Housing Authority which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Country Housing Authority for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Board 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, the *Financial Management Act 2006* 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.

In preparing the financial statements, the Board is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Authority.

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Country Housing Authority. The controls exercised by the 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

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 2018.

The Board's Responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Country Housing Authority for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

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 2018.

The 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 internal control as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2018 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
29 August 2018

COUNTRY HOUSING AUTHORITY

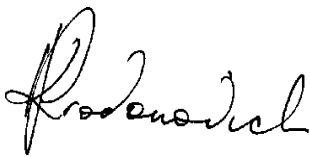
CERTIFICATION OF KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2018

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 2018.



Glyn Yates
Chairperson of the Accountable Authority

24 August 2018



Caterina Prodonovich
Board Member of the Accountable Authority

24 August 2018

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 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.

	2014/15	2015/16	2016/17	2017/18
Eligible applicants brought forward ¹	4	7	3	4
Eligible applications to be assessed brought forward ²				4
Plus eligible applications received	65	33	24	17
Less eligible applications to be assessed ²	-	-	4	1
Less eligible applications withdrawn	5	23	3	10
Net applications assessed	64	17	20	14
Number of clients assisted	57	14	16	12
Eligible applicants carried forward ¹	7	3	4	2
Actual % assisted	89	82	80	86
Target % assisted	87	87	87	87
¹ Application documentation has been successfully received and assessed, moving the applicant into pre-approval stage of the loan process.				
² Application documentation lodged, but still to be assessed.				

One loan at assessment stage and two loans at pre-approval stage at 30 June 2018 have resulted in the actual percentage assisted being lower than target.

EFFICIENCY INDICATOR

Service 1: Housing Loan provision and facilitation

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

	2014/15	2015/16	2016/17	2017/18
Average cost of loan administered	\$ 1,812	\$ 1,340	\$ 1,417	\$ 1,368

The 2017/18 average cost of loan administration is \$1,368 per annualised active loan, which is lower than prior year due to lower new loan approvals and loans being managed during the year resulting in a lower Administration fee being charged (Note 7).

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

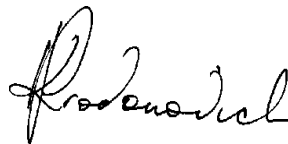
The accompanying financial statements of the Country Housing Authority have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2018 and the financial position as at 30 June 2018.

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

24 August 2018



Caterina Prodonovich
Board Member of the Accountable
Authority

24 August 2018



Michael Verkuylen
Chief Finance Officer

24 August 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
INCOME			
Revenue			
Interest revenue	5	<u>2,819</u>	<u>3,124</u>
Total Income		<u>2,819</u>	<u>3,124</u>
EXPENSES			
Finance costs	8	856	1,007
Board member fees	6	76	85
Administration expense	7	497	564
Provision for impairment of loans and advances	9	65	380
Other expenses	10	<u>39</u>	<u>43</u>
Total Expenses		<u>1,533</u>	<u>2,079</u>
PROFIT FOR THE PERIOD		<u>1,286</u>	<u>1,045</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>1,286</u>	<u>1,045</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	17(a)	861	3,230
Receivables	11	661	564
Loans and advances	12	<u>7,015</u>	<u>10,057</u>
Total Current Assets		<u>8,537</u>	<u>13,851</u>
Non-Current Assets			
Loans and advances	12	<u>45,682</u>	<u>47,008</u>
Total Non-Current Assets		<u>45,682</u>	<u>47,008</u>
TOTAL ASSETS		<u>54,219</u>	<u>60,859</u>
LIABILITIES			
Current Liabilities			
Payables	13	277	301
Amounts due to the Treasurer	14	48	45
Borrowings	15	<u>7,679</u>	<u>7,676</u>
Total Current Liabilities		<u>8,004</u>	<u>8,022</u>
Non-Current Liabilities			
Amounts due to the Treasurer	14	1,832	1,917
Borrowings	15	<u>21,246</u>	<u>28,024</u>
Total Non-Current Liabilities		<u>23,078</u>	<u>29,941</u>
TOTAL LIABILITIES		<u>31,082</u>	<u>37,963</u>
NET ASSETS		<u>23,137</u>	<u>22,896</u>
EQUITY			
Contributed equity	16	13,000	13,000
Retained earnings	16	<u>10,137</u>	<u>9,896</u>
TOTAL EQUITY		<u>23,137</u>	<u>22,896</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 2018**

	Contributed Equity \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2016	13,000	9,176	22,176
Total comprehensive income for the period	-	1,045	1,045
Distribution to the Treasurer	-	(325)	(325)
Balance at 30 June 2017	<u>13,000</u>	<u>9,896</u>	<u>22,896</u>
Balance at 1 July 2017	13,000	9,896	22,896
Total comprehensive income for the period	-	1,286	1,286
Distribution to the Treasurer	-	(1,045)	(1,045)
Balance at 30 June 2018	<u>13,000</u>	<u>10,137</u>	<u>23,137</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 2018**

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received		2,726	3,068
Loan repayments received		8,043	10,858
Payments			
Finance costs		(917)	(988)
Supplies and services		(707)	(770)
New loans advanced		<u>(3,650)</u>	<u>(3,625)</u>
Net cash provided by operating activities	17(c)	<u>5,495</u>	<u>8,543</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		900	88,400
Repayment of borrowings		<u>(7,719)</u>	<u>(94,575)</u>
Net cash used in financing activities	17(d)	<u>(6,819)</u>	<u>(6,175)</u>
CASH FLOWS TO STATE GOVERNMENT			
Distribution to the Treasurer		<u>(1,045)</u>	<u>(325)</u>
Net cash used by State Government		<u>(1,045)</u>	<u>(325)</u>
Net increase in cash and cash equivalents		(2,369)	2,043
Cash and cash equivalents at the beginning of the period		<u>3,230</u>	<u>1,187</u>
CASH AND CASH EQUIVALENTS ASSETS AT THE END OF THE FINANCIAL YEAR	17(a)	<u>861</u>	<u>3,230</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Corporate Information

General

The financial statements of the Country Housing Authority ('Authority') for the year ended 30 June 2018 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 2018.

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).

2. Significant Accounting Policies (continued)

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

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

(c) Reporting entity

The reporting entity comprises the Authority.

(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 2018, are outlined in the table below:

AASB 9 Financial Instruments

Application date of standard : 1 January 2018

Application date for The Authority: 1 July 2018

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The Authority will adopt the new standard effective 1 July 2018. As there is no requirement to restate comparatives in respect of Classification and Measurement and Impairment, the cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance sheet. An impact assessment has been performed on the impairment credit loss model in AASB 9. The Authority expects no significant impact on its statement of financial position based on the historically low volumes of impaired loans.

2. Significant Accounting Policies (continued)

AASB 15 Revenue from Contracts with Customers

Application date of standard - Not-For-Profit Entities : 1 January 2019

Application date for The Authority : 1 July 2019

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied). 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 an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Authority plans to adopt the standard on the required effective date and will continue to assess the potential effects of AASB 15 on its financial statements during FY2019. Based on preliminary assessments, the Standard is not expected to have a material impact on the Authority.

AASB 16 Leases

Application date of standard : 1 January 2019

Application date for The Authority: 1 July 2019

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Authority plans to adopt the standard on the required effective date. The Authority currently has no leases and therefore no impacts are expected on its financial statements during FY2019 as a result of AASB 16.

2. Significant Accounting Policies (continued)

AASB 1058 Income of Not-For-Profit Entities

AASB 2016-8 Amendments to Australian Accounting Standards- Australian Implementation Guidance for Not-For-Profit Entities

Application date of standard : 1 January 2019

Application date for The Authority: 1 July 2019

AASB 1058 and AASB 2016-8 will defer income recognition in some circumstances for Not-For-Profit (NFP) entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The standard also expands circumstances in which NFP entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example peppercorn leases. Consequently AASB 1004 *Contributions* is also amended, with its scope effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.

The Authority plans to adopt the standards on the required effective date and will continue to assess the potential effects of AASB 1058 and AASB 2016-8 on its financial statements during FY2019.

(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) 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.

(g) 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.

2. Significant Accounting Policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

2. Significant Accounting Policies (continued)

(l) 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.

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.

(m) 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.

2. Significant Accounting Policies (continued)

(n) Comparative figures

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

(o) 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 21.

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

2. Significant Accounting Policies (continued)

(p) 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 (g) and 2 (l).

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(l).

5. Interest Revenue

	2018 \$'000	2017 \$'000
Interest on loans and advances	2,778	3,087
Interest on bank account	41	37
	<u>2,819</u>	<u>3,124</u>

6. Board Member Fees and Employee Benefits Expenses

Board member fees	70	79
Superannuation - defined contribution plans	6	6
	<u>76</u>	<u>85</u>

7. Administration Expense

Administration fee *	496	563
Bank fees	1	1
	<u>497</u>	<u>564</u>

* The Authority has a contractual agreement whereby Keystart Loans Ltd manages the Authority for a fee of \$1,000 per loan managed and \$5,000 per loan approved for the year.

8. Finance Costs

Interest expense	894	1,059
Fair value adjustment on amounts due to the Treasurer	(38)	(52)
	<u>856</u>	<u>1,007</u>

9. Provision for Impairment of Loans and Advances

Provision for impairment	65	380
	<u>65</u>	<u>380</u>

10. Other Expenses

External audit fees	39	38
Other	-	5
	<u>39</u>	<u>43</u>

11. Receivables

	2018 \$'000	2017 \$'000
Interest receivable	661	564
	<u>661</u>	<u>564</u>

12. Loans and Advances

Current

Loans	8,268	11,245
Provision for impairment of loans	(1,253)	(1,188)
	<u>7,015</u>	<u>10,057</u>

Non-current

Loans	45,682	47,008
	<u>52,697</u>	<u>57,065</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	1,188	808
Doubtful debts expense	65	380
Balance at end of year	<u>1,253</u>	<u>1,188</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

As at 30 June 2018 there were loans receivable that were past due but not individually impaired. The ageing analysis of these loan receivables is as follows:

Ageing analysis - Past due loans

31-60 days	325	496
61-90 days	167	-
91+ days	220	89
Total	<u>712</u>	<u>585</u>

12. Loans and Advances (continued)

Past due but not individually impaired 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.

Safety Net Loans

At the end of the current financial period, there were nil loans on the Safety Net Scheme (2017: four restructured loans with amounts past due totalling \$2,137, with a total loan amount of \$644,530). 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.

Repossessed 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.

Repossessed 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.

	2018 \$'000	2017 \$'000
<u>Outstanding balance on loans for which collateral will be repossessed</u>		
Balance	2,034	2,057
Provision for impairment	<u>(1,194)</u>	<u>(1,146)</u>
	840	911
Fair value of collateral obtained in terms of exercising the rights under the mortgages	1,040	920
Interest forgone on repossessed loans	106	101

(a) Collateral held

Collateral is in the form of registered first or second 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.

12. 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.

13. Payables

	2018 \$'000	2017 \$'000
Administration expenses	238	263
Audit fees	39	38
	<u>277</u>	<u>301</u>

14. Amounts due to the Treasurer

Current

Amounts due to the Treasurer	<u>48</u>	<u>45</u>
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Non-current

Amounts due to the Treasurer	<u>1,832</u>	<u>1,917</u>
	<u>1,880</u>	<u>1,962</u>

15. Borrowings

Current

WATC fixed interest loans	79	76
WATC variable interest loans	<u>7,600</u>	<u>7,600</u>
	7,679	7,676

Non-current

WATC fixed interest loans	346	424
WATC variable interest loans	<u>20,900</u>	<u>27,600</u>
	21,246	28,024

Total	<u>28,925</u>	<u>35,700</u>
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At 30 June 2018 the Authority has access to borrowings from the Western Australian Treasury Corporation ('WATC') to a limit of \$32,500,000 (2017: \$46,000,000). At 30 June 2018 the unused portion of this facility amounted to \$3,575,000 (2017: \$10,300,000).

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.

16. Equity

	2018 \$'000	2017 \$'000
Balance at the start of the year	<u>13,000</u>	<u>13,000</u>
Balance at the end of the year	<u><u>13,000</u></u>	<u><u>13,000</u></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.

Balance at the start of the year	9,896	9,176
Distribution to the Treasurer	(1,045)	(325)
Result for the period	<u>1,286</u>	<u>1,045</u>
Balance at the end of the year	<u><u>10,137</u></u>	<u><u>9,896</u></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	<u>861</u>	<u>3,230</u>
	<u><u>861</u></u>	<u><u>3,230</u></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	1,286	1,045
Non-cash items:		
Fair value adjustment for the amount due to the Treasurer	(38)	(52)
Impairment	65	380
Changes in assets and liabilities:		
(Increase) in receivables	(97)	(53)
Decrease in loans and advances	4,303	7,163
Increase/(Decrease) in payables	<u>(24)</u>	<u>60</u>
Net cash provided by in operating activities	<u><u>5,495</u></u>	<u><u>8,543</u></u>

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

(d) Changes in liabilities arising from financing activities

Borrowings	1 July 2017 \$'000	Cash flows \$'000	Fair value \$'000	30 June 2018 \$'000
Amounts due to The Treasurer	1,962	(45)	(37)	1,880
WATC fixed interest loans	563	(74)	(21)	468
WATC variable interest loans	35,410	(6,700)	(18)	28,692
Total	37,935	(6,819)	(76)	31,040

Borrowings	1 July 2016 \$'000	Cash flows \$'000	Fair value \$'000	30 June 2017 \$'000
Amounts due to The Treasurer	2,057	(43)	(52)	1,962
WATC fixed interest loans	671	(82)	(26)	563
WATC variable interest loans	41,305	(6,050)	155	35,410
Total	44,033	(6,175)	77	37,935

18. Commitments

	2018 \$'000	2017 \$'000
Loans approved but not yet fully funded	<u>1,030</u>	<u>1,822</u>

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.

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.

21. Financial Instruments (continued)

(ii) Liquidity Risk

Liquidity risk arises from the financial liabilities of the Authority and the Authority's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Authority's objective is to drawdown funds from 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.

(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
2018						
Financial liabilities						
Payables	277	-	-	-	-	277
Borrowings	8,490	8,274	8,040	5,968	4	30,776
Amounts due to the Treasurer	48	50	52	111	2,652	2,913
	<u>8,815</u>	<u>8,324</u>	<u>8,092</u>	<u>6,079</u>	<u>2,656</u>	<u>33,966</u>

	Within 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
2017						
Financial liabilities						
Payables	301	-	-	-	-	301
Borrowings	8,591	8,385	8,193	12,957	67	38,193
Amounts due to the Treasurer	45	47	50	106	2,710	2,958
	<u>8,937</u>	<u>8,432</u>	<u>8,243</u>	<u>13,063</u>	<u>2,777</u>	<u>41,452</u>

21. Financial Instruments (continued)

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

2018	Weighted average interest rate %	Carrying amount	-0.25% change		+0.25% change	
			Profit	Equity	Profit	Equity
Financial assets						
Cash and cash equivalents	2.31%	861	(2)	(2)	2	2
Loans and advances *	4.98%	53,950	(135)	(135)	135	135
Financial liabilities						
Payables	-	277	-	-	-	-
Borrowings	2.85%	28,500	71	71	(71)	(71)
			<u>(66)</u>	<u>(66)</u>	<u>66</u>	<u>66</u>
2017						
2017	Weighted average interest rate %	Carrying amount	-0.25% change		+0.25% change	
			Profit	Equity	Profit	Equity
Financial assets						
Cash and cash equivalents	2.03%	3,230	(8)	(8)	8	8
Loans and advances *	5.00%	58,253	(146)	(146)	146	146
Financial liabilities						
Payables	-	301	-	-	-	-
Borrowings	2.77%	35,200	88	88	(88)	(88)
			<u>(66)</u>	<u>(66)</u>	<u>66</u>	<u>66</u>

*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 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.

21. Financial Instruments (continued)

(iv) Net fair values (\$'000)

	2018		2017	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Amounts due to the Treasurer	1,880	1,880	1,962	1,962
WATC variable rate loans	28,500	28,692	35,200	35,410
WATC fixed rate loans	425	468	500	563
	<u>30,805</u>	<u>31,040</u>	<u>37,662</u>	<u>37,935</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 2018, are approximately 0.76% higher than the carrying amount (2017: 0.72% 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.

22. Related Party Information

(a) All Ministers and their close family members, and their controlled or jointly controlled entities.

(b) The board members of the Authority during the year ended 30 June 2018 were:

	APPOINTED	CEASED
G Yates	August 2015	
C Prodonovich	August 2015	
D Lynch	August 2011	
S Cameron	October 2014	

Significant transactions with government related entities

The Housing Authority acts as settlement agents for Country Housing Authority. Fees are incurred by the borrower and are paid at arm's length and provided at commercial rates. There is no cost to the Authority.

The Authority transacts with a number of Western Australian State Government authorities, agencies and government trading enterprises. All transactions with related parties are made on normal terms and conditions and will be settled in cash. Unless stated below all outstanding balances are unsecured.

22. Related Party Information (continued)

As per Note 2 (j), the Authority has an interest free loan payable to the Department of Treasury. The loan is to be fully repaid in 2048. Amounts paid during the year for the loan amounted to \$45,000 (2017: \$43,000). The undiscounted balance outstanding on the loan is \$2,912,000 (2017: \$2,958,000).

To fund operations, the Authority borrows directly from the West Australian Treasury Corporation (WATC). During the year, the Authority had the following transactions with WATC:

- Proceeds of Borrowings	\$ 900,000 (2017: \$88,400,000)
- Repayment of Borrowings	\$ 7,676,000 (2017: \$94,532,000)
- Loan Guarantee fee charged	\$ 223,000 (2017: \$ 269,000)
- Interest charged	\$ 671,000 (2017: \$ 790,000)

The Authority has \$28,925,000 in borrowings payable to WATC at 30 June 2018 (2017: \$35,700,000). The Interest and Loan Guarantee fee payable to WATC at 30 June 2018 is \$127,000 and \$51,000 (2017: \$138,000 and \$63,000).

In 2010, the Authority entered into a contractual agreement with Keystart Loan Ltd, where Keystart manages the Authority for a fee. Keystart is a related party of the Authority by nature of common directors on the board of both entities and reporting to the Minister of Housing. The management fee charged by Keystart during the year was \$496,000 (2017: \$563,000), with \$53,000 of this outstanding at the end of the financial year (2017: \$49,000).

The Office of the Auditor General audits the financial statements of the Authority. The value of the services provided by the OAG during the year was \$39,000. This balance is payable at 30 June 2018 (2017: \$38,000).

Significant transactions with other related parties

The Authority had no material related party transactions with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

23. Compensation of Key Management Personnel

The Authority has determined that key management personnel include Ministers and board members of the Authority. However, the Authority is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances*.

23. Compensation of Key Management Personnel (continued)

(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:

	2018	2017
	No's	No's
\$ 0 - \$10,000	1	2
\$10,001 - \$20,000	1	1
\$20,001 - \$30,000	1	1
\$30,001 - \$40,000	-	-
\$40,001 - \$50,000	1	1
	\$'000	\$'000
Short term employee benefits	70	79
Post employment benefits	6	6
The total remuneration of members of the Authority	<u>76</u>	<u>85</u>

Post employment benefits represent the superannuation expense incurred by the Authority in respect of members of the Accountable Authority. Some members are appointed to the board as part of their public sector duties and are paid by other government agencies.

(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:

	2018	2017
	\$'000	\$'000
Auditing the accounts, financial statements and performance indicators	<u>39</u>	<u>38</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 were no loans written off.

26. Explanatory Statement

This statement provides the details of any major variations between estimates and actual results for 2018 and between the actual results for 2017 and 2018. Major variations for the Statement of Comprehensive Income and Statement of Cash flows are considered to be those greater than 5% and greater than a dollar aggregate of 2% of Total Cost of Services. Major variances for the Statement of Financial Position are considered to be those greater than 5% and greater than a dollar aggregate of 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	2018			
	Actual \$'000	Estimate \$'000	Variance \$'000	%
Income				
Interest revenue	2,819	3,269	(450)	(14%)
Expenses				
Finance costs	856	1,120	(264)	(24%)
Administration expense	497	586	(89)	(15%)
Other expenses	39	102	(63)	(62%)

Explanation of variations

Interest revenue

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

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.

Other expenses

Other expenses were lower in the current year due to lower travel and project expenditure than forecasted and no bad debt write offs over the year.

26. Explanatory Statement (continued)

STATEMENT OF FINANCIAL POSITION

		2018		
	Actual	Estimate	Variance	
	\$'000	\$'000	\$'000	%
Current Assets				
Loans and advances	7,015	8,320	(1,305)	(16%)
Non-current Assets				
Loans and advances	45,682	53,210	(7,528)	(14%)
Non-current Liabilities				
Borrowings	21,246	30,201	(8,955)	(30%)

Explanation of variations

Loans and advances

Lower levels of new lending has led to a lower than estimated loan book balance.

Borrowings

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

26. Explanatory Statement (continued)

STATEMENT OF CASH FLOWS	2018			
	Actual \$'000	Estimate \$'000	Variance \$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest received	2,726	3,273	(547)	(17%)
Loan repayments received	8,043	6,774	1,269	19%
Payments				
Finance costs	917	1,121	(204)	(18%)
Supplies and services	707	775	(68)	(9%)
New loans advanced	3,650	7,714	(4,064)	(53%)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	900	8,054	(7,154)	(89%)
CASH FLOWS TO STATE GOVERNMENT				
Distribution to the Treasurer	1,045	891	154	17%

Explanation of variations

Interest received

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

Loan repayments received

Higher discharge volumes resulted in higher loan repayments received.

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

Lower levels of new lending due to current economic conditions have resulted in lower funding during FY2018 than forecast.

Proceeds from borrowings

Proceeds from borrowings lower due to a lower borrowing requirement.

26. Explanatory Statement (continued)

Distribution to the Treasurer

The distribution declared each financial year relates to the total comprehensive income from the prior year. At the time of budget submission, the income for 2016/17 was estimated at a lower level than the actual.

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

STATEMENT OF COMPREHENSIVE INCOME	2018	2017	Variance	
	Actual \$'000	Actual \$'000	\$'000	%
Income				
Interest revenue	2,819	3,124	(305)	(10%)
Expenses				
Administration costs	497	564	(67)	(12%)
Finance costs	856	1,007	(151)	(15%)
Provision for impairment of loans and advances	65	380	(315)	(83%)

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.

Administration costs

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.

Finance costs

Finance costs were lower in the current year as a result of lower levels of borrowings.

Provision for impairment of loans and advances

The provision expense for impairment of loans and advances was higher in FY2017 as the value of security properties on impaired loans reduced, increasing the provision.

26. Explanatory Statement (continued)

STATEMENT OF FINANCIAL POSITION	2018	2017	Variance	
	Actual \$'000	Actual \$'000	\$'000	%
Current Assets				
Loans and advances	7,015	10,057	(3,042)	(30%)
Non-current Liabilities				
Borrowings	21,246	28,024	(6,778)	(24%)

Explanation of variations

Loans and advances

Lower approval volumes in 2018 resulted in a lower loan book portfolio.

Borrowings

The lower loan portfolio results in a lower borrowing requirement in 2018.

STATEMENT OF CASH FLOWS	2018	2017	Variance	
	Actual \$'000	Actual \$'000	\$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest received	2,726	3,068	(342)	(11%)
Loan repayments received	8,043	10,858	(2,815)	(26%)
Payments				
Finance costs	917	988	(71)	(7%)
Supplies and services	707	770	(63)	(8%)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	900	88,400	(87,500)	(99%)
Repayment of borrowings	7,719	94,575	(86,856)	(92%)
CASH FLOWS TO STATE GOVERNMENT				
Distribution to the Treasurer	1,045	325	720	222%

26. Explanatory Statement (continued)

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 discharge volumes resulted in lower repayments received.

Finance costs

Finance costs were lower in the current year as a result of lower levels of borrowings.

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.

Net borrowings

Due to a lower borrowing requirement in 2018 higher levels of debt were retired. Significant variances in the individual Proceeds from borrowings and Repayment of borrowings categories are due to Country Housing Authority moving to a more diversified debt portfolio of maturity dates using the Western Australian Treasury Corporation Debt Portfolio Manager (DPM) service.

Distribution to the Treasurer

The distribution declared each financial year relates to the total comprehensive income from the prior year.

The distribution for 2016/17 is based on total comprehensive income of \$325,000 for 2015/16 and 2017/18 is based on total comprehensive income of \$1,045,000 for 2016/17. As the income for 2015/16 was lower than 2016/17, mainly due to higher doubtful debt provisions, the resulting distribution in 2017/18 was higher than in 2016/17.

ANNUAL ESTIMATES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2018/19
	\$'000
INCOME	
Revenue	
Interest revenue	2,951
Total Income	<u>2,951</u>
EXPENSES	
Finance costs	905
Administration expense	558
Depreciation expense	-
Other expenses	175
Bad debts written off	31
Total expenses	<u>1,669</u>
PROFIT	<u>1,282</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

**2018/19
\$'000**

ASSETS

Current Assets

Cash and cash equivalents	1,338
Receivables	591
Loans and advances	8,622
Total Current Assets	10,551

Non-Current Assets

Loans and advances	46,331
Total Non-Current Assets	46,331

TOTAL ASSETS

56,882

LIABILITIES

Current Liabilities

Payables	135
Amounts due to the Treasurer	47
Borrowings	7,283
Total Current Liabilities	7,465

Non-Current Liabilities

Amounts due to the Treasurer	1,901
Borrowings	24,381
Total Non-Current Liabilities	26,282

TOTAL LIABILITIES

34,747

NET ASSETS

23,135

EQUITY

Contributed equity	13,000
Retained earnings	10,135
TOTAL EQUITY	23,135

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

**2018/19
\$'000**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Interest received	2,951
Loan repayments received	6,661

Payments

Finance costs	908
Supplies and services	717
New loans advanced	5,927

Net cash provided by operating activities	7,552
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings	6,750
Repayment of borrowings	7,603

Net cash provided by financing activities	853
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CASH FLOWS TO STATE GOVERNMENT

Distribution to the Treasurer	1,207
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Net cash provided by State Government	1,207
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Net increase/(decrease) in cash and cash equivalents	-
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Cash and cash equivalents at the beginning of the period	1,338
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CASH AND CASH EQUIVALENTS ASSETS AT THE END OF THE FINANCIAL YEAR	1,338
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CONTACT INFORMATION

The Office of the Country Housing Authority is located at:

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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.keystart.com.au