

Salvation Army Housing (Victoria)
ACN 133 724 651

Annual Report
30 June 2016

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Salvation Army Housing (Victoria)

Directors' report

For the year ended 30 June 2016

The directors present their report together with the financial report of Salvation Army Housing (Victoria) ("the Company") for the financial period ended 30 June 2016 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial period are:

Name	Appointment Date	Resignation Date
David John ELDRIDGE	1 July 2015	N/A
Mark Christopher GRAY	2 July 2015	N/A
Roslynne Elizabeth HANSEN	20 July 2015	N/A
Annette Rachel HORTON	27 February 2014	N/A
Winsome Joy MERRETT	27 July 2016	N/A
Graeme RIGLEY	1 July 2015	07 July 2016
Malcolm John ROBERTS	29 July 2010	N/A
David SINDEN	14 November 2008	N/A

2. Company Secretary

The Company Secretary at any time during or since the end of the financial year is Malcolm John Roberts, appointed 15 October 2008.

3. Directors' Meetings

The Directors held 10 meetings during the year. The attendance was as follows:

Director	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016
David John ELDRIDGE	P	P	P	P	P	P	P	P	A	P
Mark Christopher GRAY	A	P	P	P	P	P	P	A	P	P
Roslynne Elizabeth HANSEN	P	P	P	P	P	P	A	P	P	A
Annette Rachel HORTON	P	P	P	P	P	P	A	P	A	A
Winsome Joy MERRETT	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Graeme RIGLEY	P	P	A	P	P	P	A	A	A	A
Malcolm John ROBERTS	P	P	P	P	P	P	P	P	P	P
David SINDEN	P	P	P	P	P	P	P	P	P	A

P – Present at meeting A – Absent from meeting

Salvation Army Housing (Victoria)

Directors' report

4. Principal activities

The company was incorporated on 15 October 2008 in order to become a registered housing provider under Part VIII of the Housing Act 1983. The company was registered as a housing provider on 29 September 2009 and commenced operations on 1 October 2009, with the transfer of service agreements previously held by The Salvation Army (Victoria) Property Trust.

The company receives funding from and manages properties on behalf of the Director of Housing.

The company was previously known as Red Shield Housing (Vic) and changed its name to Salvation Army Housing (Victoria) effective 1st July 2015.

5. Operating and financial review

A summary of revenues and expenses is set out below:

	2016	2015
	\$	\$
Total revenue (including finance income)	8,850,245	7,686,176
Total expenses	(8,338,011)	(7,476,875)
Net finance income	28,474	17,439
Net surplus for the year ended 30 June	540,708	226,740

The net surplus for the 2016 financial year is \$540,708 compared to the 2015 surplus figure of \$226,740.

In the opinion of the directors the Company is able to plan and manage its operational expenditures within the funds currently committed and accordingly the Company continues to operate as a going concern.

6. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

7. Likely developments

The company is working to develop affordable housing in conjunction with the government and using its own resources.

8. Indemnification and insurance of officers

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

The officers are covered by insurance taken out by The Salvation Army Australia Southern Territory.

9. Proceedings on behalf of the Company

Nil

Salvation Army Housing (Victoria)
Directors' report

10. Environmental Regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

11. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for the financial year ended 30 June 2016.

This report is made in accordance with a resolution of the directors:



Director

Dated at Blackburn this 28th day of October 2016.

Salvation Army Housing (Victoria)

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

		\$	\$
	<i>Note</i>	2016	2015
Government funding	<i>4</i>	5,020,531	4,533,143
Other income	<i>4</i>	3,829,714	3,153,033
Programme expenses		(5,136,242)	(4,446,074)
Administrative expenses		(369,285)	(261,503)
Rent remitted to the Department of Housing		(2,832,484)	(2,769,298)
Results from operating activities	<i>6</i>	512,234	209,301
Finance income		57,655	18,637
Finance costs		(29,181)	(1,198)
Net finance costs		28,474	17,439
Profit before income tax		540,708	226,740
Income tax expense		-	-
Profit for the year		540,708	226,740
Other comprehensive income		-	-
Total comprehensive income for the year		540,708	226,740

The notes on pages 8 to 12 are an integral part of these financial statements.

Salvation Army Housing (Victoria)

Statement of financial position

As at 30 June 2016

	<i>Note</i>	\$ 2016	\$ 2015
Assets			
Cash and cash equivalents	5	2,359,755	1,800,521
Inventory		11,549	3,198
Trade and other receivables		57,880	88,920
Total current assets		<u>2,429,184</u>	<u>1,892,639</u>
Total non-current assets		-	-
Total assets		<u>2,429,184</u>	<u>1,892,639</u>
Liabilities			
Trade and other payables		478,717	634,149
Employee benefits		388,832	136,696
Deferred income		-	124,912
Total current liabilities		<u>867,549</u>	<u>895,757</u>
Long term employee benefits		24,045	-
Total non-current liabilities		<u>24,045</u>	-
Total liabilities		<u>891,594</u>	<u>895,757</u>
Net assets		<u>1,537,590</u>	<u>996,882</u>
Equity			
Retained earnings		1,537,590	996,882
Total equity		<u>1,537,590</u>	<u>996,882</u>

The notes on pages 8 to 12 are an integral part of these financial statements.

Salvation Army Housing (Victoria)
Statement of changes in equity
For the year ended 30 June 2016

	\$	\$
	Retained Earnings 2016	Retained Earnings 2015
Balance at beginning of year	996,882	770,142
Profit for the year	540,708	226,740
Other comprehensive income	-	-
Total comprehensive income for the year	<u>540,708</u>	<u>226,740</u>
Balance at end of year	<u>1,537,590</u>	<u>996,882</u>

The notes on pages 8 to 12 are an integral part of these financial statements.

Salvation Army Housing (Victoria)

Statement of cash flows

For the year ended 30 June 2016

	\$	\$
<i>Note</i>	2016	2015
Cash flows from operating activities		
Cash receipts from government and clients	8,756,373	7,618,577
Cash paid to suppliers and employees	<u>(8,225,613)</u>	<u>(7,360,276)</u>
Cash generated from operations	530,760	258,301
Interest paid	<u>(29,181)</u>	<u>(1,198)</u>
Net cash from operating activities	5 501,579	257,103
Cash flows from investing activities		
Interest received	<u>57,655</u>	<u>18,637</u>
Net cash from investing activities	<u>57,655</u>	<u>18,637</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	559,234	275,740
Cash and cash equivalents at 1 July 2015	1,800,521	1,524,781
Cash and cash equivalents at 30 June 2016	<u>2,359,755</u>	<u>1,800,521</u>

The notes on pages 8 to 12 are an integral part of these financial statements.

Salvation Army Housing (Victoria)

Notes to the financial statements

For the year ended 30 June 2016

1. Reporting entity

Salvation Army Housing (Victoria) is a company limited by guarantee domiciled in Australia. The address of the Company's registered office is 95 – 99 Railway Road, Blackburn, Victoria 3130. The Company is a not-for-profit entity and primarily is involved in the provision, management and maintenance of community housing for the Office of Housing.

In the opinion of the Directors, the Company is not publicly accountable nor a reporting entity. The financial statements of the Company have been drawn up as a special purpose financial statements for distribution to the members and for the purpose of fulfilling the requirements of the Housing Act 1983 and the Australian Charities and Not-for-profit Commission Act 2012.

2. Basis of preparation

(a) Statement of compliance

The special purpose financial report of Salvation Army Housing (Victoria) has been prepared in accordance with the requirements of the Australian Charities and Not-for-profit Commission Act 2012 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).

The special purpose financial report include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the directors to meet the needs of members:

AASB 101 *Presentation of Financial Statements*

AASB 107 *Cash Flow Statements*

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

AASB 1048 *Interpretation and Application of Standards*

AASB 1054 *Australian Additional Disclosures*

The financial statements were approved by the Board of Directors on 28th October 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency. Amounts in the financial report have been rounded off to the nearest dollar, unless otherwise indicated.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Salvation Army Housing (Victoria)

Notes to the financial statements

For the year ended 30 June 2016

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Income Tax Expense

Salvation Army Housing (Victoria) is appropriately endorsed by the Australia Tax Office and therefore income tax exempt.

(b) Revenue

(i) Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Grant Income

Revenue from government grant contributions is recognised when Salvation Army Housing (Victoria) gains control of the contribution, it is probable that the economic benefits comprising the contribution will flow to Salvation Army Housing (Victoria) and the amount of the contribution can be measured reliably. Contributions are measured at the fair value of the contribution received or receivable.

(c) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents represents cash held with reputable banking institutions and notional cash balances for funds physically held at THQ related to cash at bank.

(d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. The majority of receivables are due for settlement in no more than 30 days.

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off as administrative expenses. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Salvation Army Housing (Victoria)

Notes to the financial statements

For the year ended 30 June 2016

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	2016	2015
- Plant and equipment	3 years	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Trade payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid under normal business terms.

(g) Employee benefits

i) Wages and salaries and annual leave

Wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised as liabilities in respect of employees' services up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled. The accrued wages are included in accruals and the annual leave is included in provisions.

ii) Long service leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. In assessing expected future payments, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Salvation Army Housing (Victoria) Notes to the financial statements

For the year ended 30 June 2016

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(i) Impairment

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is the depreciated replacement cost of an asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit).

(j) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings recognised in the Statement of Profit or Loss and Other Comprehensive income using the effective interest method.

(k) Service Concession Arrangements

AASB Interpretation 12 Service Concession Arrangements apply to arrangements where government transfers public infrastructure to non-government organisations subject to the following conditions:

- a) the government controls and regulates what services the non-government organisation must provide with the infrastructure, to whom it must provide them, and at what price; and
- b) the government retains residual ownership of the infrastructure.

The above conditions are deemed to have been satisfied through the requirements of the contracts currently in place which prescribe how the community houses are to be used, the eligible tenants that are entitled to tenant them, and what rents can be charged. The arrangements also require Community Housing Organisations to return long term vacant property to government under the Funding Agreement.

Infrastructure within the scope of the Interpretation should not be recognised as property, plant and equipment of the operator, irrespective of the extent to which the operator bears the risks and rewards incidental to ownership and regardless of which party has legal title to it during the term of the arrangement, since the asset is "controlled" by the government.

(l) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain member and creditor confidence and to sustain future development of the organisation. The board of directors seeks to preserve sufficient capital, consisting of retained surpluses and reserves, to enable the Company to continue to its various programs. The Company has no externally imposed capital requirements.

Salvation Army Housing (Victoria)

Notes to the financial statements

For the year ended 30 June 2016

(m) **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual period beginning 1 July 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company except for AASB 9 *Financial instruments* and AASB 15 *Revenue from contracts with customers*, which becomes mandatory for the company's 2019 financial statements and AASB 16 *Leases* which becomes mandatory for the company's 2020. The company does not plan to adopt these standards early and the extent of the impact has not been determined.

	\$ 2016	\$ 2015
4. Revenue		
Government funding	5,020,531	4,533,143
Rent collected	3,204,703	2,987,014
Other	625,011	166,019
	<u>8,850,245</u>	<u>7,686,176</u>
5. Cash and cash equivalents		
Cash held in rent clearing account	301,686	341,704
Cash at bank	4,790,955	-
Notional cash balance held at THQ	(2,732,886)	1,458,817
Cash and cash equivalents in the statements of cash flows	<u>2,359,755</u>	<u>1,800,521</u>
<p>Notional cash balance represents the cash held at THQ on behalf of Salvation Army Housing (Victoria) by the Salvation Army Southern Territory.</p>		
Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Profit/(Loss) for the period	540,708	226,740
Adjustments for:		
Finance income	(57,655)	(18,637)
	<u>483,053</u>	<u>208,103</u>
Change in inventories	(8,351)	3,749
Change in trade and other receivables	31,040	(65,866)
Change in trade and other payables	(155,432)	143,290
Change in deferred income	(124,912)	(49,777)
Change in provisions and employee benefits	276,181	17,604
Net cash from operating activities	<u>501,579</u>	<u>257,103</u>
6. Expenses		
Employee expenses	2,355,110	1,530,701
Auditor's remuneration	4,450	4,305

Salvation Army Housing (Victoria)

Directors' declaration

In the opinion of the directors of Salvation Army Housing (Victoria):

- (a) the Company is not publicly accountable nor a reporting entity;
- (b) the financial statements and notes, set out on pages 4 to 12, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and the *Housing Act 1983*, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance, as represented by the results of its operations for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 2; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Blackburn this 28th day of October 2016.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Director



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Salvation Army Housing (Victoria)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

KPMG

Darren Scammell
Partner

Melbourne
28 October 2016



Independent audit report to the members of Salvation Army Housing (Victoria)

We have audited the accompanying financial report, being a special purpose financial report, of Salvation Army Housing (Victoria) ("the Company"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) and *Housing Act 1983*.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the ACNC, the *Housing Act 1983* and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the ACNC, *Housing Act 1983* and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 2 to the financial statements so as to present a true and fair view which is consistent with our understanding of the company's financial position, and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion the financial report of Salvation Army Housing (Victoria) is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Housing Act 1983*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 2 and *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the ACNC and *Housing Act 1983*. As a result, the financial report may not be suitable for another purpose.

KPMG

Darren Scammell
Partner

Melbourne

28 October 2016